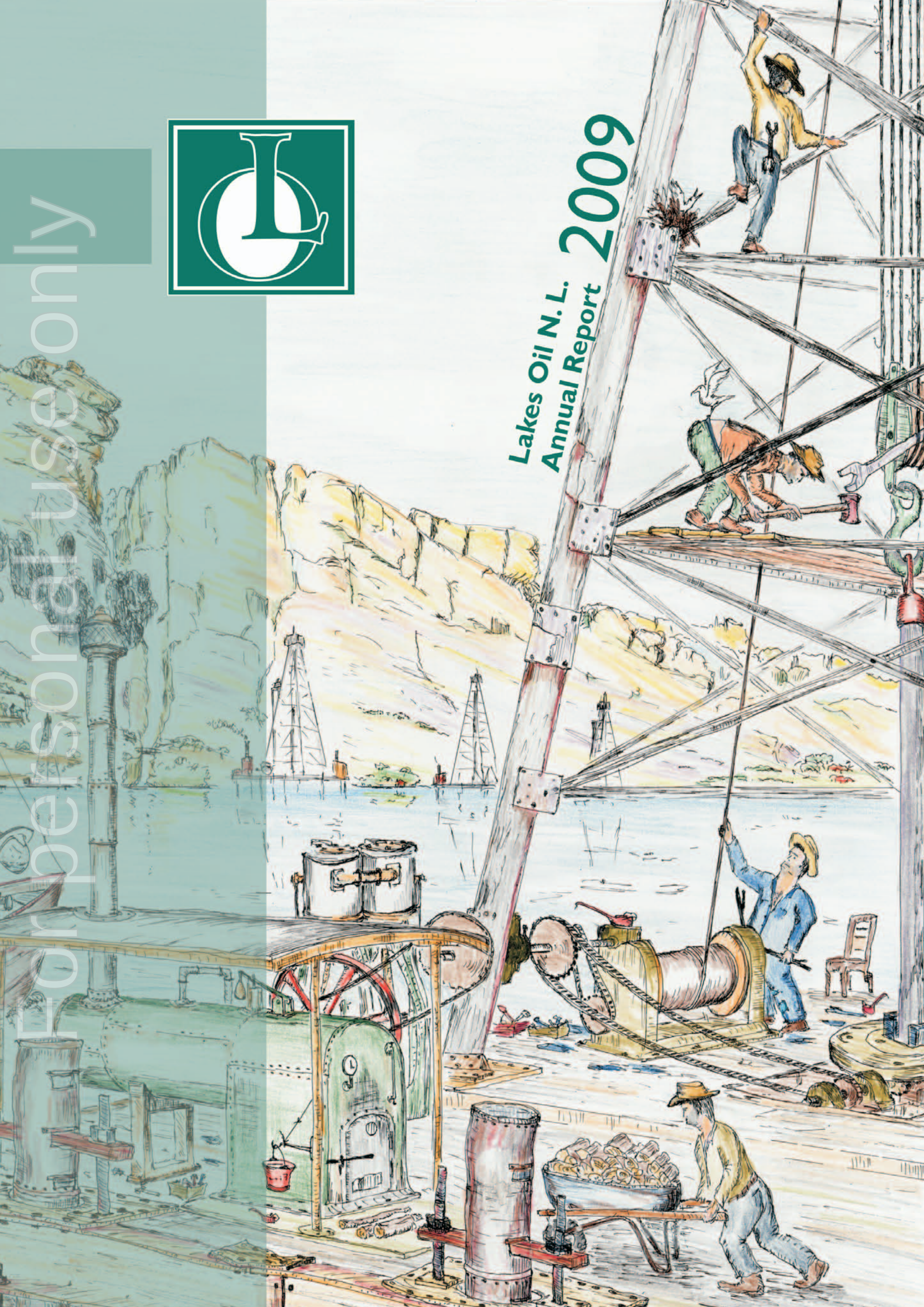
Lakes Oil N.L. Annual Report 2009



Corporate Directory

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

Technical Staff and Consultants
Ingrid Campbell RMIT (Geol), MPESA, MGSA
Xiaowen Sun BSc (Hons), MSc, PhD, MAAPG
Guy Holdgate BSc (Hons), PhD

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Stock Exchange
Australian Stock Exchange Limited
Level 3 530 Collins Street
Melbourne Victoria 3000
ASX code: LKO

Legal Advisors
Baker & McKenzie
Rialto Level 39
525 Collins Street
Melbourne Victoria 3000

Auditors
Pitcher Partners
Level 19 15 William Street
Melbourne Victoria 3000

Share Registry
Computershare Investor Services Pty. Ltd.
Yarra Falls 452 Johnston Street
Abbotsford Victoria 3067

Bankers
Westpac Banking Corporation
360 Collins Street
Melbourne Victoria 3000

The company operates a web site which directors encourage you to access for the most recent information on Lakes Oil N.L.

Cover: "The Toughest Game in Town" by C. Plumridge
Commissioned by Lakes Oil N.L.

Our People


Ingrid Campbell


Tim O'Brien


Kim Annells


Bob Thompson


Vicki Kahanoff


Guy Holdgate

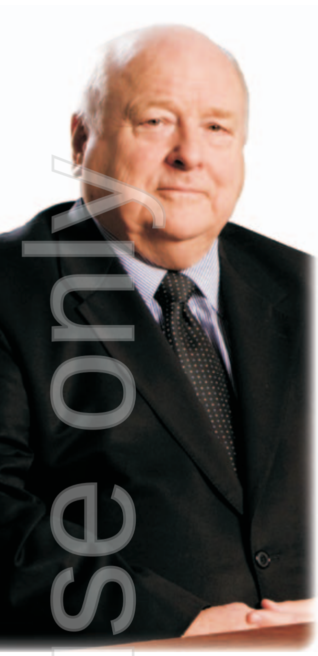

Xiaowen Sun


Howard Mitchell


Adele Herzog

Missing : James Martindale, absent from office on day of photographs

Contents



Dear Shareholder

Lakes Oil N.L. has come through a challenging year in 'good shape' and is continuing in its quest to establish Victoria's first commercial tight gas resource in the Wombat Field.

The emerging tight gas industry in Western Australia has recently been given encouragement by the reduction of its state royalties from 10% to 5%. We hope that the Victorian Government will follow the WA government's lead and adopt similar measures to encourage exploration of tight gas in this State. At this stage, however, the Victorian tight gas industry appears to be hampered by lack of clear consideration of tight gas under the Victorian Petroleum Act (1998).

Review of the past year's activities

Over the past year, we have spent a considerable amount of time assessing the 3D seismic data we acquired earlier last year over the Wombat structure. This is the first 3D seismic ever acquired in the onshore Gippsland Basin. Our work centred on mapping the best location for a new Wombat well - **Wombat 4**.

Additionally, we have conducted further field appraisals of Wombat 2 & 3 and North Seaspray 3 to test and evaluate oil and gas intervals previously identified following initial fracture stimulations in these wells.

Wombat 2 was re-fractured and achieved initial flows of up to 4.3 mmscf per day. We then encountered a gas flow blockage which impeded the flow of gas into the wellbore. This may be due to the artificial fracture near the wellbore being blocked, resulting in an insufficient amount of fracturing fluid being able to flow back to the surface, therefore hampering free flow of gas into the wellbore. We engaged a group of U.S. consultants, Ely and Associates, to assist in remedial work on this well. Evaluation of the work is continuing.

Wombat 3 was re-entered to remove a plug between the two producing zones so that the excess fraccing sand which was effectively blocking off the bottom set of perforations could be removed. This operation was successful and the well immediately began flowing oil into the well bore from the lower perforations at 2100 metres. Unfortunately, we have not been able to measure the oil flow rate as gas and water entering from the upper perforated zone are complicating evaluation. We are bringing in a small workover rig shortly to enable us to fully evaluate this oil flow.

We are particularly excited by this recovery of oil, as it is the first recorded flow of live oil in the Strzelecki Group. The oil has been analysed and is a very high quality crude oil, very similar to the light crudes found offshore.

This opens up the possibility of encountering additional oil zones, either deeper in a better reservoir in the lower Strzelecki Group or possibly from additional natural fractures. We could drill horizontally across such fractures, as is commonly done in the USA.

Following the Wombat 3D seismic survey, Lakes Oil commissioned Gaffney, Cline and Associates to conduct independent technical assessments of the Wombat, Trifon, Gangell and North Seaspray areas in order to further evaluate our Strzelecki tight gas resources in PRL 2. The contingent resources values are summarised later in this report.

Planned activities for the year ahead

Wombat 4, Gippsland Basin

At the time of writing, Lakes Oil is about to drill probably its most significant well. Wombat 4 will be the first well ever drilled onshore Gippsland Basin with the benefit of 3D seismic data. This well will test our Strzelecki tight gas reservoirs updip some 1.5 kms to the southwest from Wombat 2, which has been our most encouraging well to date. In Wombat 2, we recovered gas from a zone at the top of the Strzelecki Group which had better permeability due to weathering.

Interpretation of the Wombat 3D seismic data shows the potential that this weathered zone may thicken up-dip towards the Wombat 4 location.

Additional potential targets in Wombat 4 are identified in reservoir sands in the Latrobe Group, which overlie the Strzelecki Group and host most of the offshore hydrocarbon discoveries. Independent seismic analysis carried out by a consultant shows a possibility that at this location there is an independent Latrobe closure quite separate from the greater Wombat structure and that it is bounded by two deep faults. Further independent seismic attribute work has shown the possibility of hydrocarbon migration along and up these faults into the Latrobe closure. However, these are interesting hypotheses and only the drill bit will reveal the answers.

PEP 169, Otway Basin

During the coming year we also plan to drill up to two wells onshore Otway Basin in our PEP 169 block. A comprehensive 3D seismic coverage already exists over block and a recent assessment carried out for Lakes in its PEP 169 acreage shows several Late Cretaceous conventional prospects (Waarre "C" sands) across the permit, some of which appear to straddle the adjacent PEP 168 block to the west.

Recent corporate moves have seen Beach Petroleum seeking to acquire a 50% interest in PEP 168 previously held by Essential Petroleum. Lakes intends to approach Beach with the possibility of jointly exploring the traversing prospects.

Eagle Oil Development Project , California

As part of unfinished business, Lakes Oil's long-standing interest in the Mary Belocchi/Eagle Oil Development Project in California has been re-kindled by recent oil discoveries in the area. Lakes has a minor interest in the joint venture and we have agreed to participate in the acquisition of a 3D seismic survey in the coming year. The joint venturers believe that new 3D coverage will provide better resolution of structuring at depth. Mary Bellochi 1 was drilled in 1986 and flowed oil at an initial rate of 223 barrels of oil per day and 0.9 million cubic feet of gas per day.

Although our participation in this project is only 15%, a good oil flow could have a major benefit for our shareholders.

Associate Company - Greenearth Energy Limited

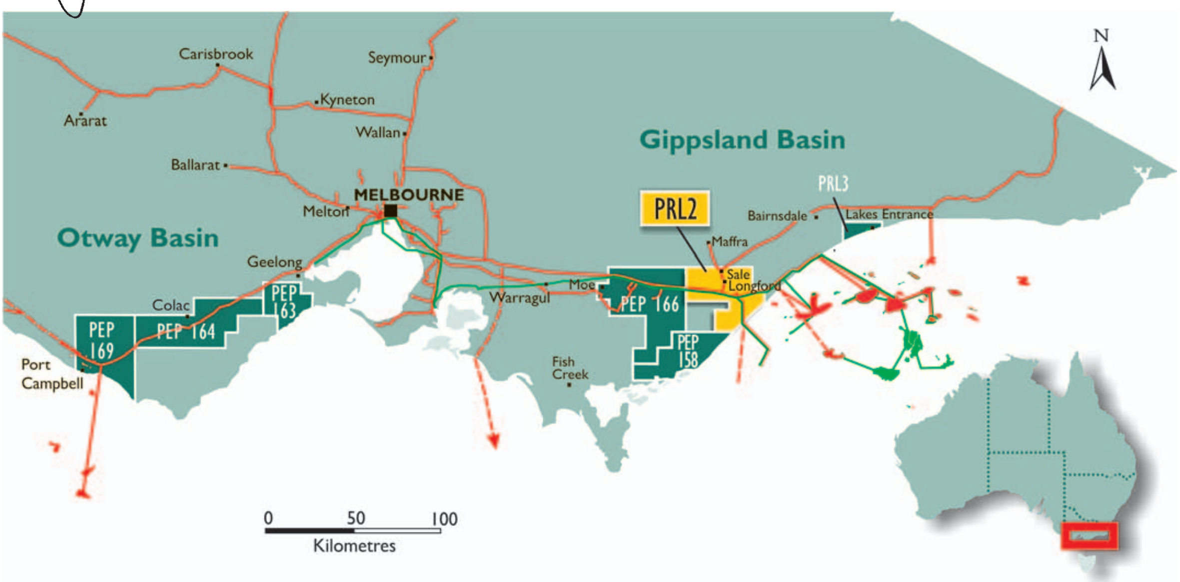
Lakes Oil holds a significant stake in Greenearth Energy Limited as well as a data sharing agreement between the two companies, which has been most rewarding for both companies over the last year.

Greenearth is moving ahead with its 'proof of concept' well in the greater Geelong area. The company has signed on for a large rig to drill the well mid 2010, subject to funding. The well pre-qualifies for federal government assistance and Greenearth Energy has applied for a $7m grant. Results of this application will be made known later this year. With three grants so far handed out by the federal government all going to South Australia, we are hopeful that this time Victoria will be successful.

Our Staff

Again, I would like to thank our staff who have performed exceedingly well during a difficult year. It would be great to see all our efforts rewarded with a successful Wombat 4 result.

ROBERT J. ANNELLS
Chairman
15 October 2009



Directors' Report

R. J. Annells

B. I. Berold

J. H. Y. Syme

P. B. Lawrence

R. E. South

The Directors present their report together with the financial report of the consolidated entity consisting of Lakes Oil N.L. and the entities it controlled, for the financial year ended 30 June 2009 and Auditors Report thereon.

This Financial Report has been prepared in accordance with Australian equivalents of International Financial Reporting Standards.

Directors

The names and details of the Directors in office during the financial year and until the date of this Report are set out below. The directors have been in office for the entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities;

Robert J. Annells CPA, F.Fin (Executive Chairman)
Mr. Annells is a former member of the Australian Stock Exchange with over forty years experience in the securities industry and is a qualified accountant. His experience includes provision of corporate and investment advice to the business and resources industries. Mr Annells has served on the Lakes Oil N.L board since 1984. During the past three years Mr. Annells has also served as Chairman of ASX listed mining company Minotaur Exploration Limited, and Director of a London based company Xtract Energy PLC. Mr. Annells was appointed as a Non Executive Director of listed companies, Greenearth Energy Limited and Rum Jungle Uranium Limited on 13 July 2006 and 10 October 2006 respectively.

Barney I. Berold BCom, MBA. (Non Executive Director)
Mr. Berold is an investment banker previously with a major European-based banking group. Appointed to the board on 21 February 2007, he has had considerable experience in corporate finance advising on strategy, mergers and acquisitions, and funding. He is a former Stockbroker, and served on the boards of The Stock Exchange of Melbourne as well as the Australian Stock Exchange. Mr. Berold is a member of the Audit Committee of Lakes Oil N.L. During the past three years Mr. Berold has not held any other listed company directorships.

Peter B. Lawrence BCom, MBA, FCPA (Non Executive Director)
Mr. Lawrence is a former member of the Australian Stock Exchange with over 30 years experience as a Stockbroker. Mr Lawrence has served on the Lakes Oil N.L board since 2000. Last year Mr. Lawrence retired from

the board of Bell Asset Management Limited of which he was a member for the period from December 1999 until February 2006. Mr. Lawrence is Chairman of the Audit Committee of Lakes Oil N.L. from its inception on 1 March 2006. During the past three years Mr. Lawrence has not held any other listed company directorships other than noted above.

James H.Y. Syme LLB (Non Executive Director)
Mr. Syme was appointed to the board on the 28 May 2006. He was elected to the Audit Committee on the 28 June 2006. Mr. Syme was Victorian Government Solicitor for five years from 2001 to 2006. Prior to that he was with national law firm Corrs Chambers Westgarth for 34 years where he specialised in business law. Mr. Syme was previously a member of the Lakes Oil N.L board from 1985 (when the company first listed) until 1997. For the past three years he has not been a member of any other listed company boards.

Company Secretary

Raymond E. South FCA, FCIS, FCPA
Mr. South is a professional company secretary serving a number of listed and unlisted companies. His experience includes being a National Manager of the ASX, the CEO of a company serving the broking industry and in professional accounting.

Directors' Meetings

The number of meetings of the board of directors and of each board committee held during the financial year and the number of meetings attended by each director were:

	Board Meetings		Audit Committee Meetings	
	Attended	Eligible to attend	Attended	Eligible to attend
Robert J. Annells	4	4	-	-
Barney I. Berold	4	4	2	2
Peter B. Lawrence	4	4	2	2
James H.Y. Syme	3	4	1	2

Interests in the shares and options of the company and related bodies corporate

The interests in securities of the company and related entities which are held by each Director as at the date of this Report, either directly or indirectly through entities or parties related to him, are:

		Securities held in Lakes Oil N.L.			
		Ordinary shares		Options	
		2009	2008	**2009**	2008
R.J. Annells	D	**2,120,417**	1,696,333	**30,000,000**	30,000,000
	I	**77,116,842**	42,693,473	**-**	-
B.I. Berold	D	**5,799,167**	1,124,444	**-**	-
	I	**23,373,611**	18,698,888	**-**	-
P.B. Lawrence	D	**-**	-	**15,000,000**	15,000,000
	I	**37,700,000**	23,200,000	**-**	-
J.H.Y. Syme	D	**-**	-	**-**	-
	I	**3,172,771**	2,172,771	**-**	-

Note: D = direct ownership. I = indirect ownership.

Directors' Interest in Contracts

Directors' interest in contracts is disclosed in Note 21 to Financial Statements.

Auditors Independence

The directors have received a declaration of independence from our auditors, Pitcher Partners, which is attached to the Directors Report.

Non – Audit Services

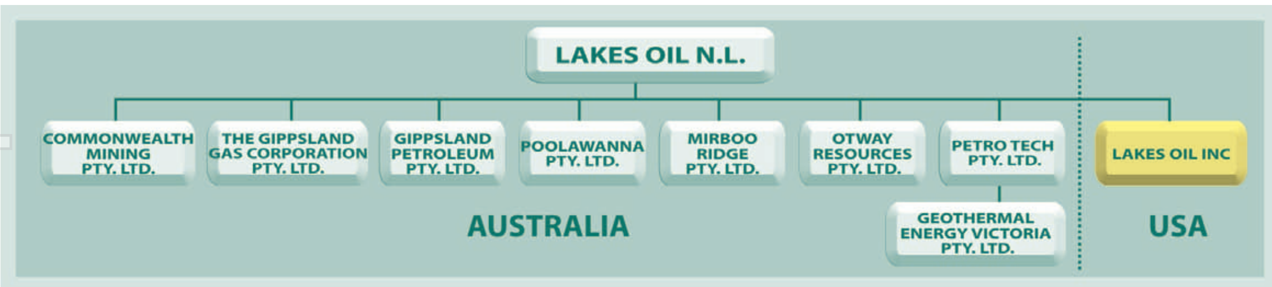
Non audit services are approved by resolution of the Audit Committee and approval is provided in writing to the Board of Directors. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

The following fees for non-audit services were paid or payable to the external auditors during the year ended 30 June 2009:

	2009	2008
	$	$
Tax compliance	**9,800**	19,870
Due Diligence Services	**5,740**	7,756
	15,540	27,626

Corporate Information

Corporate Structure
Lakes Oil N.L. is a company limited by shares, incorporated and domiciled in Australia. The ultimate parent entity is Lakes Oil N.L. and as such has prepared a consolidated financial report incorporating the entities it controlled during the financial year, which are outlined in the following illustration of the group's corporate structure.



Principal Activity

The principal activity of the companies comprising the consolidated economic entity during the year ended 30 June 2009 was that of hydrocarbon exploration and investment. There were no significant changes in the activities of the economic entity during the year.

Results and Dividends

The consolidated operating loss of the economic entity for the year ended 30 June 2009 was:

	2009	2008
Operating loss before income tax	**2,991,968**	1,620,134
Income tax attributable to operating loss	**-**	-
Operating loss after income tax	**2,991,968**	1,620,134

During the year ended 30 June 2009, no dividends were paid or declared by the company and the directors do not recommend payment of a dividend.

Indemnification and insurance of Directors' and officers

The company has during and since the end of the financial year, in respect of any person who has, is or has been an officer of the company or a related body corporate, paid a premium in respect of Directors and Officer liability insurance which indemnifies Directors, Officers and the Company of any claims made against the Directors, Officers of the Company and the Company, subject to conditions contained in the insurance policy. Further disclosure required under section 300(9) of the Corporations Act 2001 is prohibited under the terms of the contract.

Proceedings on behalf of the company

No person has applied for leave to bring Court proceedings on behalf of the consolidated entity.

Share Options

Unissued shares
As at the date of this report, there were 92,100,000 unissued ordinary shares under options (97,100,000 at 30 June 2008). Refer to Note 15 of the financial statements for further details of the options outstanding.

Option holders do not have any right, by virtue of the options, to participate in any share issue of the company or any related body corporate.

Subsequent Events
The company announced a one for four pro-rata non-renounceable rights issue on 16 July 2009, 1 cent per share. The issue raised $9,278,060. Proceeds of the issue are to be used for the Wombat 4 well and other ongoing exploration.

Shares issued as a result of the exercise of options
There were no shares issued during this financial year as a result of the exercising of options.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Lakes Oil N.L. support, and have adhered to, the principles of corporate governance. A full statement regarding the company's corporate governance policies is included at the end of these Financial Statements.

Corporate Developments

In July 2008, Lakes Oil N.L. and Cape Energy SA entered into a non-binding Term Sheet for the possibility of a merger with Lakes Oil N.L. in the development /acquisition of the Golden Beach Field located just offshore from the Wombat Field. However, the global financial slow down has affected the proposed values which were anticipated for the merger and therefore the two companies are not proceeding with the non-binding Term Sheet entered into earlier.

Nevertheless, discussions have continued between the parties to explore alternative arrangements as to how the respective assets of the two companies can be jointly developed in a manner suitable to both parties.

Lakes Oil Capital Raising

On 18 June, 2009 the Company placed 200,000,000 ordinary fully paid ordinary shares via Patersons Securities Limited. The issue, at 0.5 cents per share, raised $1,000,000 before brokerage. The purpose of the placement was to raise additional funds for the current work programs on Wombat 3, North Seaspray 3 and Wombat 2.

The company announced a one for four pro-rata non-renounceable rights issue on 16 July 2009 at 1 cent per share. The issue raised $9,278,060. Proceeds of the issue are to be used for the Wombat 4 well and other ongoing exploration.

Exploration and Operational Summary

Wombat and Greater Trifon Field Resources

Lakes Oil N.L. commissioned independent technical assessments of the Wombat, Trifon, Gangell and Seaspray accumulations by Gaffney, Cline and Associates and independent resource evaluations of these accumulations were conducted by Palliser Management Group.

Current Field Operations

Developments during the year include the implementation of field operations program in PRL 2 that we believe will see us moving closer towards commerciality of tight gas in the Wombat Field.

Three wells in PRL 2 (Wombat 2, Wombat 3 and North Seaspray 3) were selected for a workover program with the objective of achieving potentially commercial gas flow from an existing gas zone in these wells that have previously been fracture stimulated. Results so far have been encouraging: recovery and flowing of live Strzelecki oil into the wellbore in Wombat 3; initially increased gas flows from the re-fracturing operation in Wombat 2; clean-out operations were performed in North Seaspray 3.

Clean-out operations are continuing in order to obtain a sustained commercial gas flow rate in the Wombat Field in Wombat 2.

Future Operations

Proposed Wombat 4 well

Lakes Oil N.L. believes that the drilling of Wombat 4 in the up-dip position from Wombat 2 will be an important milestone in the company's path to commerciality in PRL 2. This is scheduled for the last week in September, early October.

Onshore Gippsland Basin

PRL 2 – Onshore, Victoria
Lakes Oil Group, Operator: 100% interest
(Overall Permit), 50% Trifon, North Seaspray Gangell Fields 50% Jarden Corporation Australia Pty Ltd

Field Operations

In early April 2009, an initial flow test was conducted in North Seaspray 3 well to test the wellhead pressures and initial flow rates in preparation for extended flow testing conducted later. Results indicated that we may have fracced into water bearing Latrobe formation.

2009 Workover Program

An extended workover and testing program in PRL2 was conducted between 10th June and late August in three wells. Clean out operations are continuing at this date at the Wombat 2 site.

Wombat 2: Fraccing equipment during re-fracturing operation, July 2009.

Results of the program to date are summarised below:
Wombat 2: following successful re-fracturing of the 1,470m gas zone the well flowed back fraccing fluid, gas and condensate to the surface. A maximum initial flow rate was recorded after the fracturing at 4.3 mmcfd which decreased to approx. 1.4 mmcfd through a 1" choke as the frac fluid built up in the wellbore. The flow was intermittent due to opening and shutting of the well to allow sufficient pressure build up to clean the well bore of the frac fluids. The well bore pressure builds up after each shut-in operation, indicating that there is good communication between the well bore and the formation, confirming the effectiveness of the re-fracturing.

Lakes Oil N.L. contracted U.S. tight gas consultants, Ely and Associates to design a chemical treatment that was implemented on 21st August in the well in order to remove a flowback blockage encountered following the re-fracturing operation. Flow back operations are continuing.

Wombat 3: this well was re-entered using coiled tubing in order to remove a valve and fraccing sand that was blocking perforations in the casing in order to flow test the oil zone at 2,106m and gas zone at 1,430m depth which were fracture stimulated in 2005.

On 19 June 2009, oil flowed freely into the wellbore from the 2,106m zone after removal of some 50m of fraccing sand which was blocking recovery of gas or fluids from the perforations. It is believed that these samples represent the first unaltered live oil to be recovered from the Strzelecki Group.

Importantly the results show that the oil is of excellent quality. The samples were sent for analysis and confirmed that the oil is a non-biodegraded crude oil with an average of 38.91° API gravity similar to Bass Strait crude oil.

Lakes Oil N.L. is now looking at ways to test the zone which will comply with regulatory authority requirements.

North Seaspray 3: this well was re-entered using coiled tubing unit to test the 1,010m gas zone that was fracture stimulated in 2004. Flow-back operations began in mid-July on the well but were suspended when it became clear that the original fracturing may have penetrated the Latrobe aquifers above and constantly impeded the gas flow from the fracture. The future of this well is now being evaluated.

Post-Seismic Survey Field Evaluations
Lakes Oil N.L. commissioned several independent expert reports to evaluate our Wombat and greater Trifon Field resources following the Wombat 3D seismic survey. These are:

1. **Gaffney, Cline and Associates** provided an in-depth technical assessment of the commerciality of the Lower Cretaceous Wombat Field in PRL 2. Their assessment of the Wombat Field estimated

a potential P50 contingent resources in the Wombat field of 700 bcf of gas in place and a potential recoverable resources of 293 bcf. This evaluation show that the Wombat Field is a highly prospective, undeveloped, unconventional gas resource contained in the Strzelecki Group in PRL 2.

Their Greater Trifon Field (incorporating Trifon, Seaspray and Gangell accumulations) estimate of 390 bcf along with 293 bcf for the Wombat Field gives a total 2C contingent resource of 683 bcf for these two areas with a total gas in place (P50) of 700+922=1.622 TCF.

Details of the Gaffney, Cline and Associates evaluations are given later in this report.

2. **Palliser Strategic Management** provided asset evaluation of the Wombat, Macalister and Greater Trifon Field tight gas resources in PRL 2 which gave a range of values that could be assigned to the tight gas resource in PRL 2 based on existing data and industry-based assumptions for development of the resource. Based on a range of insitu risk-adjusted values calculated from the project modeling and implied trade sale values from recent CSM activity, their P50 value range for the Wombat Field 2C resource case is between AUD$50 million and AUD$88 million. The total P50 value range for the Wombat and the Greater Trifon Field assets (Gangell, Trifon, Seaspray) are now valued (P50 basis) at between AUD$104 million and AUD$217 million.

   Note: Lakes Oil N.L. has a 50% interest in the Trifon, Seaspray, Gangell areas and 100% interest of the Wombat area.

   Details of the Palliser evaluations are given in the tables shown later in this report.

3. **Isis Petroleum** conducted an independent seismic interpretation of the Wombat 3D seismic survey;

4. **EnergyQuest** provided an evaluation of the current South Eastern Australian gas prices in the context of the Wombat gas field.

Proposed Field Operations: Late 2009

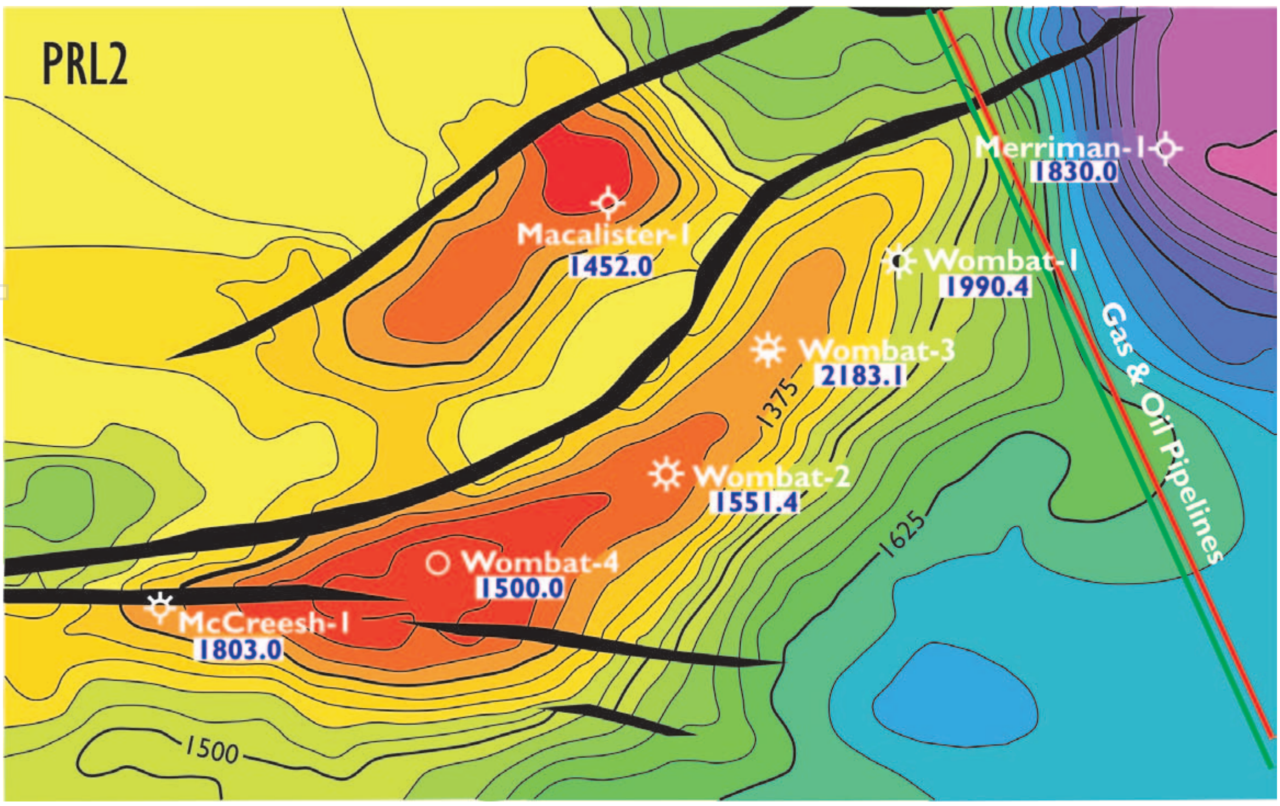


Figure 1: Time structure map on top Strzelecki Unconformity showing location of proposed Wombat- 4 well

Wombat 4

Lakes Oil N.L. is planning to drill Wombat 4 to test the up-dip potential of the Strzelecki Group located on a structural high about 1.5km to the south–west of Wombat 2. The 3D seismic mapping across the Wombat Field identified a possible 50-80 metres of additional up-dip potential at top Strzelecki level at the proposed well location.

This site gives the potential for a thicker weathered zone to be present in the upper part of the Strzelecki than we encountered in the other Wombat wells. The weathered zone has been the most productive in all the Wombat wells drilled to date. Wombat 4 is planned for late September/early October 2009 subject to Government approvals. A suitable rig has been secured to carry out the drilling of Wombat 4 and is currently being assembled on site.

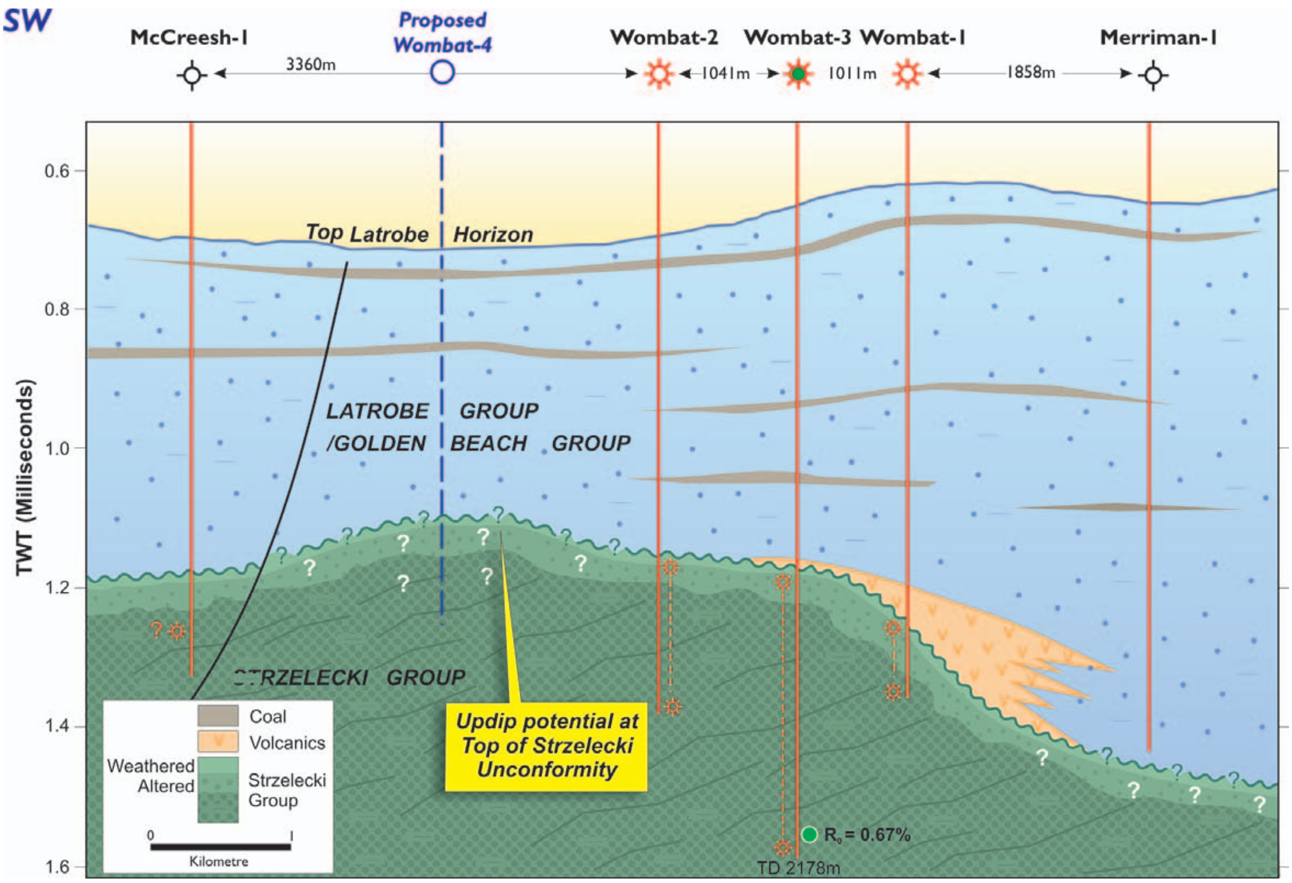


Figure 2: Schematic geological section through the Wombat Field that shows an anticlinal feature where Wombat 4 is to be drilled

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

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

A comprehensive mapping project continued combining all historical and recent oil company data into a single data base with the aim of constructing a composite model of the Lakes Entrance oil field that will assist in future mapping and developments in the area.

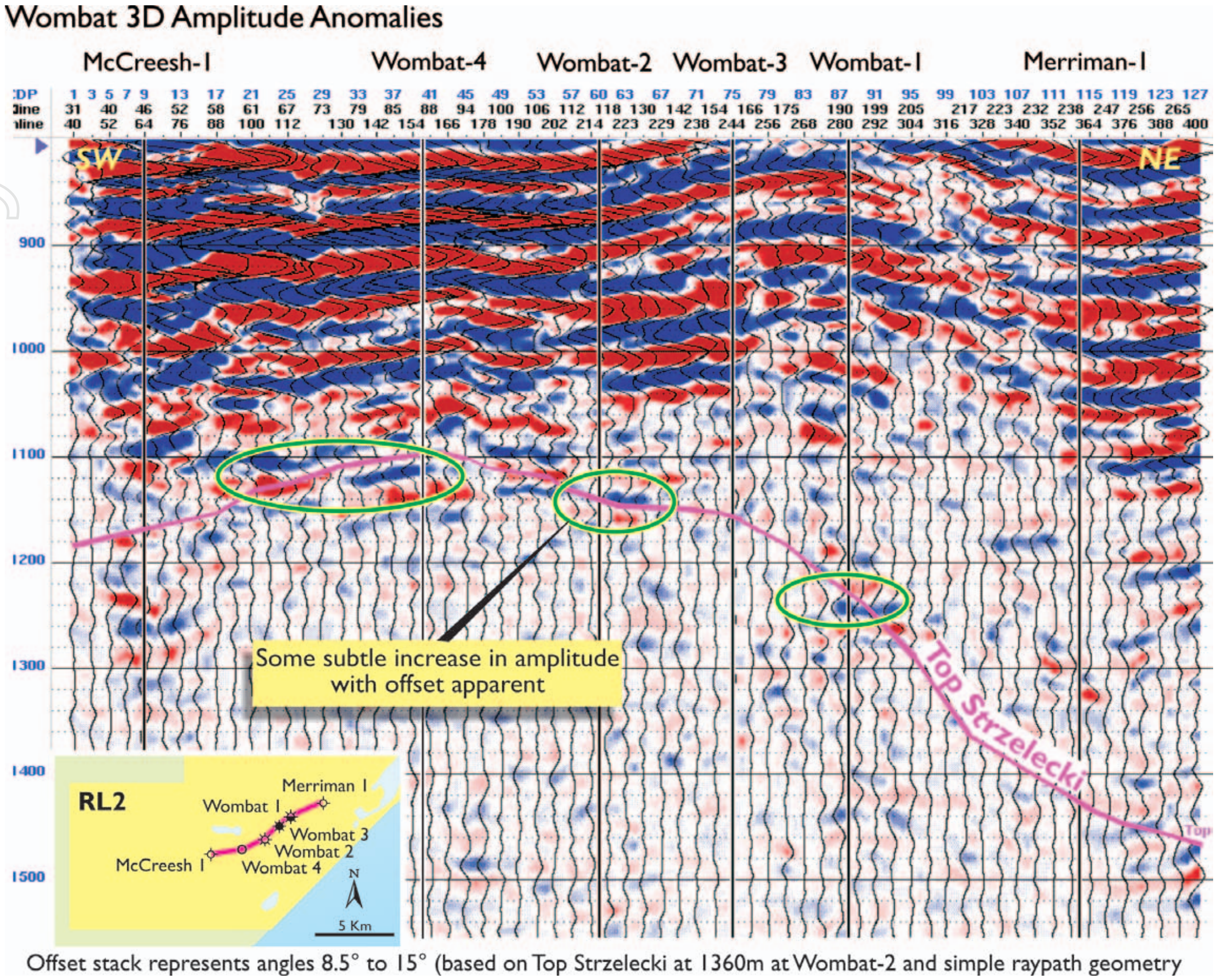


Figure 3: Seismic line highlighting amplitude anomalies at top Strzelecki - Note: Increased anomalous amplitudes at Wombat-4 location.

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

Since supplying additional technical data in December 2008, supporting our retention lease application, no further developments have occurred until 12 August 2009, when the Department of Primary Industries issued a second notice of intent to refuse our application, indicating that our previous application was not sufficiently robust in relation to terms defined in the Petroleum Act 1998. Lakes Oil N.L. will respond to the DPI's notice of intent to refuse a retention lease application after consideration of all available avenues.

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

A regional mapping project across the Latrobe Valley and beyond has been conducted using all available well, seismic and other geophysical, data including the extensive Latrobe Valley coal bore datasets. This study, together with additional work prepared by 3D-GEO Consultants focusing on tectonic modelling of our onshore Gippsland Basin areas, will assist in the understanding of the regional basement trends and the tectonic history of the onshore Gippsland Basin.

This tectonic model provides the first regional interpretation of the onshore Gippsland Basin basement ever conducted and provides new insights into the development, orientation and localisation of Strzelecki deposition above the basement features. It also can provide important clues to the position of gas chimneys and hydrocarbon concentrations in the Strzelecki Group through the use of new seismic attribute techniques.

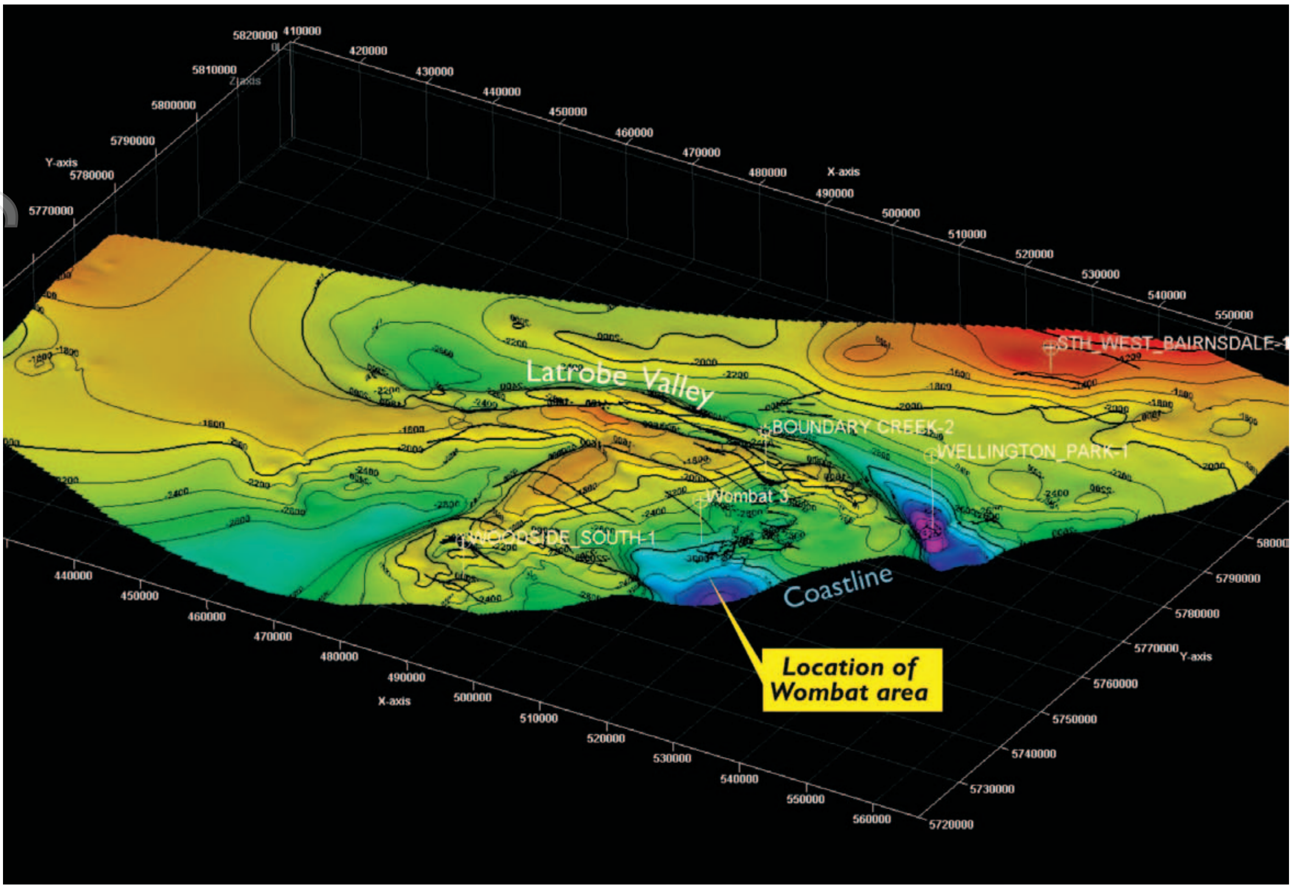


Figure 4: A three dimensional perspective of basement of the onshore Gippsland Basin. Source: 3D Geo Consultants. This perspective of basement was modelled by structural consultants from existing seismic, well data, surface geology and structural data of all mapped horizons above basement

Planning for a magneto-telluric survey across the Latrobe Valley region continued 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 late 2009/early 2010 after required approvals have been granted.

Onshore Otway Basin, Victoria

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

Evaluation of potential Lower Cretaceous tight gas prospects in the permit continued. Several prospects have been identified and will be further evaluated. A magneto-telluric survey is being prepared to complement the existing seismic data and provide better depth imaging in the area. Timing for this survey will be co-ordinated with proposed work to be done in PEP 166 in the Gippsland Basin.

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

Term 2 renewal of the permit which required a 50% drop of acreage was granted during the latter part of the year. The work program requires the drilling of a well in the second year. Detailed seismic and geological mapping will form part of the first year of the work program.

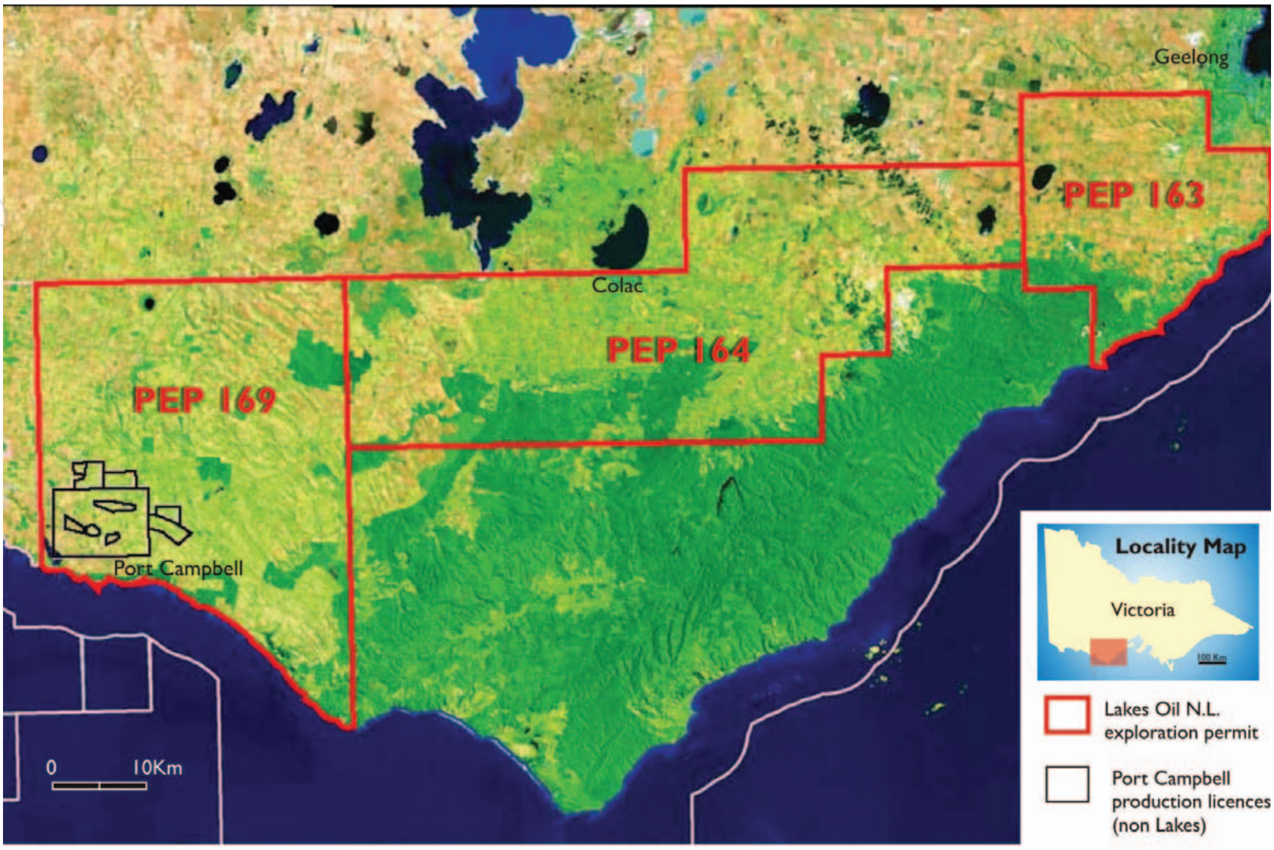


Figure 5 Otway Basin tenement locations

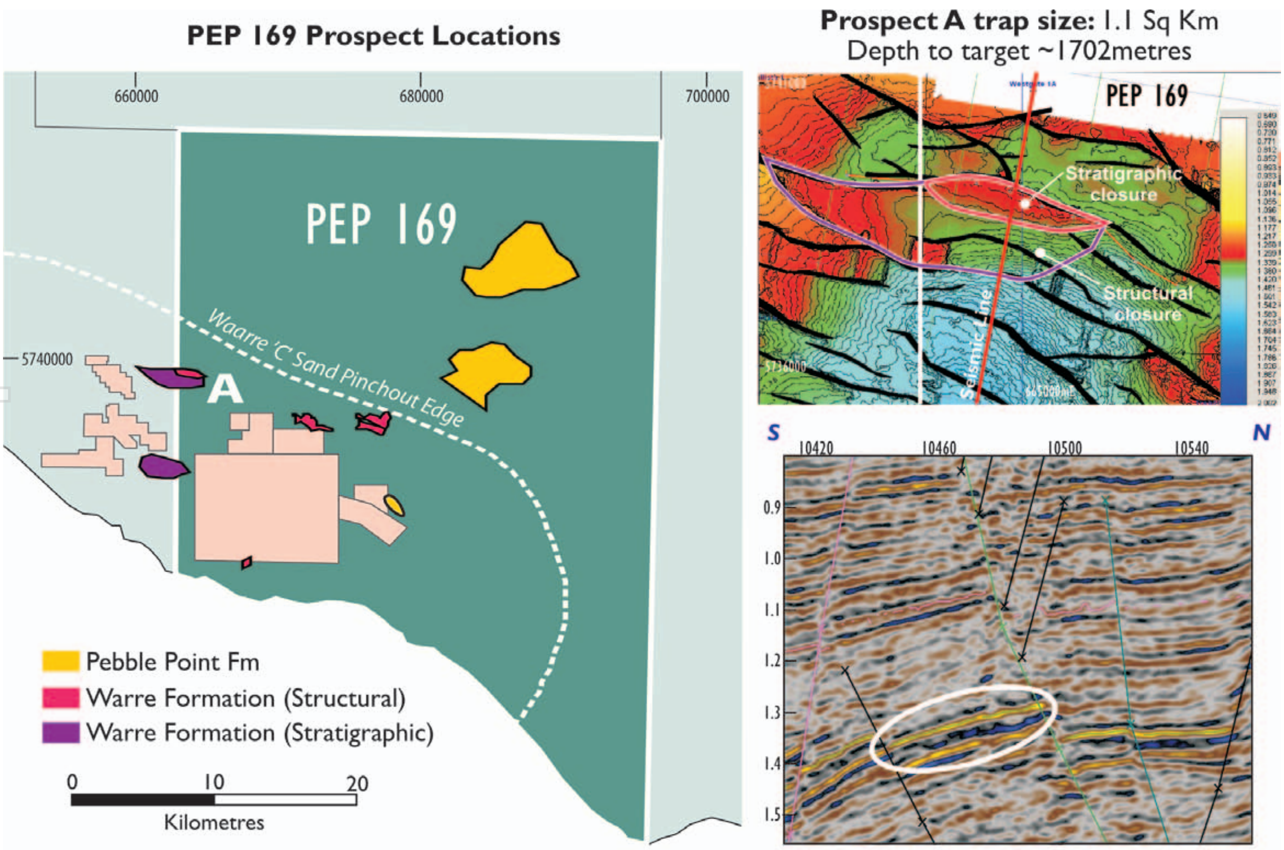


Figure 6 PEP 169 Prospects

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

Detailed seismic mapping of conventional structural plays in Late Cretaceous reservoirs continued and at least 5 new structural prospects have now been identified in the south and southwest of the permit.

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 of the Late Cretaceous Waarre Formation.

In addition to the Waarre targets, several secondary targets have been mapped in the Tertiary Pebble Point Formation and Early Cretaceous Eumeralla Formation which occur at relatively shallow depths. The secondary targets are still being evaluated as there is less well control in this area.

Eromanga Basin – Queensland

ATP 560P – McIVOR BLOCK - Onshore, Qld
(Lakes Oil Group: 25% interest; Operator: Victoria Petroleum N.L.)

This permit is being re-evaluated in the context of coal seam gas potential.

ATP 560P – UELEVEN BLOCK - Onshore, Qld
(Lakes Oil Group: 25% interest; Operator: Icon Oil N.L.)

This permit is being re-evaluated in the context of coal seam gas potential.

EP 142 Perdirka Basin
(Lakes Oil Group, Operator: 100% interest)

This permit was relinquished during the Financial year to allow Lakes Oil N.L to concentrate on its core business activites being its Victorian permits. The exploration expenditure incurred in fulfilling permit obligations has been written off.

PEP 38350 New Zealand – North Island
(Lakes Oil Group, Operator: 100% interest)

Planning for a combined 50km offshore 2D seismic reflection and 25km onshore refraction survey continued during the latter part of 2008 with planned acquisition of data in February 2009 over the area and offshore in Palliser Bay. However, the planned Palliser Bay survey was cancelled as third party sharing of the mobilisation costs was unable to be confirmed in the time frame required and Lakes Oil N.L. deemed it was not in a position to sole fund these operations at this time of global financial downturn. Therefore, the company relinquished the block in order to focus on its tight gas permits in Victoria. The exploration expenditure incurred with respect to this permit has been written off in the Profit and Loss.

Onshore USA – San Joaquin basin California
Eagle Prospect - Onshore, California, U.S.A.
(Lakes Oil Group: 15% working interest; Operator: Victoria Petroleum N.L.)

The partners continue further assessment of the prospect with a view to acquiring a 3D seismic survey over the area.

Resource Evaluation Tables

Wombat Field – Summary of Gas Initially In-place and Contingent Gas Resources*

	Gas Initially In Place (GIIP)		
	P90	P50	P10
Gas Initially In-Place (GIIP) (Bscf)	497	700	936
	Contingent Gas Resources (Gross 100% Interest)		
	1C	2C	3C
Estimated Ultimate Recovery (EUR) (Bscf)	211	293	394

* Source: Gaffney, Cline & Associates, Independent Technical Assessment Report on Wombat Field, Victoria, [October] 2008.

Greater Trifon Field - Trifon, Gangell and North Seaspray Accumulations- Summary of Gas Initially In-place and Contingent Gas Resources

	GIIP		
	P 90	P 50	P 10
Gas Initially In-Place (GIIP) (Bscf)	293	922	1,237
	Contingent Gas Resources (Gross 100% Interest)		
	1C	2C	3C
Estimated Ultimate Recovery (EUR) (Bscf)	126	390	526

* Source: Gaffney, Cline & Associates,

Notes:

1. Natural gas volumes represent expected gas sales, and are reported in billions (109) of cubic feet (Bscf) at standard conditions of 14.7 psia and 60° Fahrenheit.
2. Volumes reported are gross (100%) interest for the field area
3. The volumes reported in this table have not been reduced for non-hydrocarbon gas (CO2, N2) content, which together average less than 4%.
4. 1C, 2C, 3C are equivalent to P90, P50, P10 estimates utilizing a probabilistic methodology.

In situ Gas Resource Range for the Wombat, Trifon, Gangell and North Seapray fields.
Values – A$ million

Case	P 50 2C	P10 3C
Estimated Ultimate Recovery (BCF)	683	920
Domestic Gas Market	104-217	112-293
Accelerated Growth Price Scenario	160-217	185-293

Source: Palliser Strategic Management

Note 1: The low range of values relate to entry in the gas market is based on an assessment of current assessments of market risks and pricing conditions starting from 2015:-

Domestic gas sales market Gas price in 2009 $3.32/GJ and in 2015 $5.03/GJ in nominal dollars. Escalation averages 2-3% real growth to 2020 and then 3% real plus CPI.

Accelerated Growth Price Scenario with LNG projects making material and "step-wise" changes to demand and pricing by the middle of the 2010-2020 decade when LNG projects proceed past FEED and FID. This price forecast matches the real prices with

Path A in the Grant Samuel - ConocoPhillips report. Gas price in 2009 \$3.61/GJ and in 2016 \$8.23/GJ in nominal dollars. Nominal dollars adjusted by CPI.
The high range values relate to implied risk adjusted trade values for possible corporate M&A activity with premiums to acquire significant resources based on transaction values for CSG 3P resources from LNG form 2007 to 2009.
Note 2: Lakes Oil N.L. holds a 100% interest in the Wombat structure, and holds a 50% interest in the Trifon, Gangell and Seaspray structures. Accordingly, Lakes Oil N.L. wishes to clarify that the Lakes Oil N.L. held component of those assets are therefore valued (P50 basis) at between \$79 million and \$155 million. The accelerated growth price scenario becomes \$116 million to \$155 million.

Environmental Regulation and Performance

The company holds interests in petroleum exploration permits and licenses in Victoria and Queensland. All of these permits and licences impose regulations regarding environmental issues. There have been no known breaches of the environmental regulations during the financial year.

Remuneration Report

Directors' Remuneration

Remuneration Policy

The board of directors of Lakes Oil N.L. is responsible for determining and reviewing compensation arrangements for the directors, and the executive team. The board assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive team. Such officers are given the opportunity to receive their base emolument in a variety of forms including cash and fringe benefits such as expenses payment plans. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost for the company.

For directors and staff, the company provides a remuneration package that incorporates both cash–based remuneration and share–based remuneration. The contracts for services between the company and specified directors and executives are on a continuing basis the terms of which are not expected to change in aligning director and shareholder interests. The remuneration policy is not directly related to company performance. The board considers a remuneration policy based on short-term returns may not be beneficial to the long-term creation of wealth by the company for shareholders.
Non executive directors receive fees and options and do not receive bonus payments.

The company determines the maximum amount for remuneration, including thresholds for share-based remuneration for directors by resolution.

Named directors and executives

The names and positions of each person who held the position of director at any time during the financial year is provided above. There are two executives in the consolidated group who hold positions of a senior nature that directly influences the overall direction of the company focus as named below:

Executives	Position
I Campbell	Chief Geologist
T O'Brien	Operations Manager

Directors' Remuneration

		Primary Benefits		Post Employment				
		Salary & fees	Non Monetary	Super-annuation	Retirement Benefits	Equity Options*	Other Benefits	Total
R.J. Annells ^A	**2009**	**420,000**	**-**	**2,250**	**-**	**125,076**	**-**	**547,326**
	2008	270,000	4,608	2,250	-	125,076	-	401,934
B.I.Berold	**2009**	**25,000**	**-**	**2,250**	**-**	**-**	**-**	**27,250**
	2008	25,000	-	2,250	-	-	-	27,250
P.B. Lawrence	**2009**	**25,000**	**-**	**-**	**-**	**52,773**	**-**	**77,773**
	2008	25,000	-	2,250	-	52,773	-	80,023
J.H.Y.Syme	**2009**	**25,000**	**-**	**2,250**	**-**	**-**	**-**	**27,250**
	2008	25,000	-	2,250	-	-	-	27,250
Total Directors remuneration	**2009**	**495,000**	**-**	**6,750**	**-**	**177,849**	**-**	**679,599**
	2008	345,000	4,608	9,000	-	177,849	-	536,457

* The values shown in the column headed "Equity Options" represents the non cash amortised notional value of the options.

^A The values shown represent payment made as a director and chief executive officer (paid to Arc de Triomphe Securities Pty Ltd).

Executives' remuneration

		Primary Benefits		Post Employment				
		Salary & fees	Non Monetary	Superannuation	Retirement Benefits	Equity Options*	Other Benefits	Total
I. Campbell	**2009**	**151,376**	**-**	**13,623**	**-**	**9,459**	**-**	**174,458**
	2008	144,491	-	13,004	-	9,459	-	166,954
T. O'Brien	**2009**	**137,615**	**-**	**12,385**	**-**	**10,730**	**-**	**160,730**
	2008	124,235	-	11,181	-	10,730	-	146,146
Total Executive Remuneration	**2009**	**288,991**	**-**	**26,008**	**-**	**20,189**	**-**	**335,188**
	2008	268,726	-	24,185	-	20,189	-	313,100

* The values shown in the column headed "Equity Options" represents the non-cash amortised notional value of the options.

Key Management Personnel - Compensation by Category

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	**2009**	2008
	$	$	**$**	$
Short term employment benefits	**783,991**	618,334	**783,991**	618,334
Post employment benefits	**32,758**	33,185	**32,758**	33,158
Share based payments	**198,038**	198,038	**198,038**	198,038
	1,014,787	849,557	**1,014,787**	849,557

Remuneration - options and options with no performance criteria

The percentage of each director and executive remuneration which comprises options is shown in the table below:

	2009 % of Remuneration from Options	2008 % of Remuneration from Options
Directors		
R. J. Annells	**22.8%**	31.11%
B.I. Berold	**-**	-
P. B. Lawrence	**67.8%**	65.95%
J.H.Y. Syme	**-**	-
Executives		
I Campbell	**5.42%**	5.67%
T. O'Brien	**6.60%**	7.34%

Options granted as remuneration that have been exercised or lapsed during the financial year

2009	Directors and Executives	1 July 2008	Value granted	Value exercised	Value lapsed	30 June 2009
	Directors					
	R. J.Annells	597,000	-	-	-	597,000
	B.I Berold	-	-	-	-	-
	P. B. Lawrence	243,900	-	-	-	243,900
	J.H.Y. Syme	-	-	-	-	-
	Executives					
	I Campbell	27,425	-	-	-	27,425
	T. O'Brien	32,825	-	-	-	32,825
		901,150	**-**	**-**	**-**	**901,150**

2008	Directors and Executives	1 July 2007	Value granted	Value exercised	Value lapsed	30 June 2008
	Directors					
	R. J.Annells	597,000	-	-	-	597,000
	B.I Berold	-	-	-	-	-
	P. B. Lawrence	243,900	-	-	-	243,900
	J.H.Y. Syme	-	-	-	-	-
	Executives					
	I Campbell	21,225	6,200	-	-	27,425
	T. O'Brien	26,625	6,200	-	-	32,825
		888,750	**12,400**	**-**	**-**	**901,150**

Directors' and Executives' Equity Holdings

(a) Compensation options: granted and vested during the year (consolidated)
No options were granted and vested during the year ended 30 June 2009.

Options granted and vested during the year ended 30 June 2008 were

2008			Terms and conditions for each grant			
Directors	Grant number	Grant date	Value per option at grant date	Exercise price per share	First exercise date	Last exercise/ expiry date
R.J.Annells	-	-	-	-	-	-
P.B. Lawrence	-	-	-	-	-	-
J.H.Y. Syme	-	-	-	-	-	-
Executives	-	-	-	-	-	-
I.Campbell	2,000,000	9 Jan 2008	0.0031	0.015	9 Jan 2008	9 Jan 2008
T. O'Brien	2,000,000	9 Jan 2008	0.0031	0.015	9 Jan 2008	9 Jan 2008

(b) Share issued on exercise of compensation options

No shares have been issued on exercise of compensation options by any director or executive.

(c) Number of Options held by Key Management Personnel (consolidated)

2009	Balance at beginning of period	Granted as compensation	Options Exercised	Options lapsed	Balance at end of period	Vested at 30 June 2009		
Directors	**1 July 2008**				**30 June 2009**	**Total**	**Not Excercisable**	**Excercisable**
R.J.Annells	30,000,000	-	-	-	30,000,000	30,000,000	-	30,000,000
B.I. Berold	-	-	-	-	-	-	-	-
P.B. Lawrence	15,000,000	-	-	-	15,000,000	15,000,000	-	15,000,000
J.H.Y. Syme	-	-	-	-	-	-	-	-
Executives								
I. Campbell	4,500,000	-	-	-	4,500,0000	4,500,000	-	4,500,000
T. O'Brien	5,000,000	-	-	-	5,000,000	5,000,000	-	5,000,000
Total	**54,500,000**	**-**	**-**	**-**	**54,500,000**	**54,500,000**	**-**	**54,500,000**
Weighted average exercise price ($)	0.054				0.054	0.054		0.054

2008	Balance at beginning of period	Granted as compensation	Options Exercised	Options lapsed	Balance at end of period	Vested at 30 June 2008		
Directors	**1 July 2008**				**30 June 2008**	**Total**	**Not Exercisable**	**Exercisable**
R.J.Annells	30,000,000	-	-	-	30,000,000	30,000,000	-	30,000,000
B. I. Berold	-	-	-	-	-	-	-	-
P.B. Lawrence	15,000,000	-	-	-	15,000,000	15,000,000	-	15,000,000
J.H.Y. Syme	-	-	-	-	-	-	-	-
Executives								
I. Campbell	2,500,000	2,000,000	-	-	4,500,000	4,500,000	-	4,500,000
T. O'Brien	3,000,000	2,000,000	-	-	5,000,000	5,000,000	-	5,000,000
Total	50,500,000	4,000,000	-	-	54,500,000	54,500,000	-	54,500,000
Weighted average exercise price ($)	**0.057**	**.015**	**-**	**-**	**0.054**	**0.054**	**-**	**0.054**

Valuation of options issued to directors and executives

Options issued during the financial year are valued using the Black-Scholes pricing model using the following inputs:

	2008
Weighted average fair value of options granted during the year (at grant date)	0.31 cents
Weighted average exercise price	$0.015
Volume weighted average share price during the year	$0.008
Weighted average expected share volatility	70%
Weighted average risk free interest rate	6.35%
Expected dividends	-
Average option life	3.5 years

The volatility is determined by using Lakes Oil N.L's historical volatilities on a 6 and 12 month basis as well as considering the historical volatilities of 5 other comparable listed companies prior to grant date. Historical volatility has been the basis for determining expected future share price volatility.

No options were issued to directors and executives during the 2009 financial year.

Number of Shares held by Key Management Personnel

2009		Balance 1 July 2008		Granted as Remuneration		On Exercise of Options		Net Change Other		Balance 30 June 2009	
Directors		Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
R.J.Annells	D	1,696,333	-	-	-	-	-	-	-	1,696,333	-
	I	42,693,473	-	-	-	-	-	19,000,000	-	61,693,473	-
B.I Berold	D	1,124,444	-	-	-	-	-	-	-	1,124,444	-
	I	18,698,888	-	-	-	-	-	-	-	18,698,888	-
P.B. Lawrence	D	-	-	-	-	-	-	-	-	-	-
	I	23,200,000	-	-	-	-	-	5,000,000	-	28,200,000	-
J.H.Y. Syme	D	-	-	-	-	-	-	-	-	-	-
	I	2,172,771	-	-	-	-	-	-	-	2,172,771	-
Executives											
I. Campbell	D	-	-	-	-	-	-	-	-	-	-
	I	-	-	-	-	-	-	-	-	-	-
T. O'Brien*	D	3,000,001	-	-	-	-	-	2,000,000	-	5,000,0001	-
	I	-	-	-	-	-	-	-	-	-	-
Total		**92,585,910**	-	-	-	-	-	**26,000,000**	-	**118,585,910**	-

Note: D = direct ownership. I = indirect ownership.

Number of shares held by key management personnel

2008		Balance 1 July 2007		Granted as Remuneration		On Exercise of Options		Net Change Other		Balance 30 June 2008	
Directors		Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref	Ord	Pref
R.J.Annells	D	696,333	-	-	-	-	-	1,000,000	-	1,696,333	-
	I	36,026,806	-	-	-	-	-	6,666,667	-	42,693,473	-
B.I Berold	D	5,093,333	-	-	-	-	-	(3,968,889)	-	1,124,444	-
	I	7,524,166	-	-	-	-	-	11,174,722	-	18,698,888	-
P.B. Lawrence	D	-	-	-	-	-	-	-	-	-	-
	I	14,411,111	-	-	-	-	-	8,788,889	-	23,200,000	-
J.H.Y. Syme	D	-	-	-	-	-	-	-	-	-	-
	I	804,578	-	-	-	-	-	1,368,193	-	2,172,771	-
Executives											
I. Campbell	D	-	-	-	-	-	-	-	-	-	-
	I	-	-	-	-	-	-	-	-	-	-
T. O'Brien	D	-	-	-	-	-	-	3,000,001	-	3,000,001	-
	I	-	-	-	-	-	-	-	-	-	-
Total		**64,556,327**	-	-	-	-	-	**28,029,583**	-	**92,585,910**	-

Note: D = direct ownership. I = indirect ownership.

All equity transactions with specified directors and executives other than those arising from the exercise of remuneration options have been entered into under terms and conditions no more favourable than those the entity would have adopted if dealing at arm's length.

Signed in accordance with a resolution of the directors.

ROBERT J. ANNELLS
Chairman
Signed at Melbourne, Victoria on 30 September 2009

Community Activities 2009

Lakes Oil has during the last year continued its aims and endeavours to participate closely with members of local government and particularly with members of the Gippsland and Latrobe communities.

The company has made a number of sponsorships and donations to various organisations mainly with the view to assist in the further involvement and development of the young people within the community. A number of initiatives with participation by Lakes Oil will be of interest.

Lakes Entrance Reserves

Churchill Reserves 2009 Premiership

Lakes Oil was the major sponsor of the cycling 2009 Tour of Gippsland in conjunction with the associated Shires/Councils and numerous business houses throughout the region.

The tour commenced at Traralgon on 29 July, with a record number of 143 young riders. It then ventured west to Trafalgar, though areas of fire devastation to Yarram, up to the highlands of Walhalla and Licola and ultimately to Lakes Entrance concluding at Paynesville on 2 August after travelling 491.1Kms with 71 sprints and 20 hill climbs.

The overall yellow jersey winner was 19 year old Leigh Howard, a very worthy winner who has recently signed with the USA Pro Tour Team Columbia –HTC.

To commemorate the early origins of Lakes Oil with Woodside Oil, the Lakes Oil cup was played between Woodside (The Wildcats) and Churchill (Cougars) Football Clubs at Woodside on 30th May 2009.

In very inclement weather, Churchill was successful by 2 points. The cup was presented to Leigh MacDonald (coach) by Roger Head, a member of the 1966 St. Kilda Premiership Team.

Lakes Oil continues its involvement with local communities as a high priority in the Gippsland and Latrobe regions.

On the 20th August 2009 Lakes Oil conducted a tree planting restoration of 700 native species on its McGuinness Rd Seaspray property.

Under the experienced eye of Peter Klein, Kleins Nursery, Yarram, the trees were planted by students from Seaspray Primary School and Yarram Secondary College.

The day was utilised as a learning curve with an overview of the environment and oil/gas exploration by Lakes Oil.

Despite the inclement weather the students enjoyed the involvement and the lunch/refreshments provided by the company.

A pre-Grand Final Luncheon and Charity Auction was held at Lakes Oil offices on 24th September 2009.

This somewhat informal traditional football function was attended by some 85 business persons.

Guest speaker, as ambassador for the Royal Children's Hospital, was Mr. Bob Skilton, well known former South Melbourne player.

The memorabilia auctioned by revered auctioneer, Mr. Bill Shelton realised $6970 which was disbursed to the Royal Children's Hospital and Peter MacCallum Cancer Foundation.

Celebration of 25th Anniversary of the Yinnar Bowls club. Official opening of new synthetic playing surface 13 September 2009.

PITCHER PARTNERS
An independent Victorian Partnership
ABN 27 975 255 196

To the Directors of Lakes Oil N.L.

In relation to the independent audit for the year ended 30 June 2009, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*

(ii) No contraventions of any applicable code of professional conduct

M W PRINGLE
Partner
30 September 2009

PITCHER PARTNERS
Melbourne

Liability limited by a scheme approved under Professional Standards Legislation

Pitcher Partners including Johnston Rorke, is an associate of independent firms
Melbourne I Sydney I Perth I Adelaide I Brisbane
An independent member of Baker Tilley International

For the year ended 30 June 2009	Note	CONSOLIDATED		PARENT ENTITY	
		2009	2008	**2009**	2008
		$	$	$	$
Revenue					
Other income	4	489,814	3,331,511	516,558	285,168
Employee benefits expenses	5	(848,498)	(726,774)	(848,498)	(726,774)
Depreciation expenses	5	(135,472)	(49,423)	(135,472)	(49,423)
Exploration expenditure written off	12	(238,349)	(1,898,212)	(177,351)	(1,616,845)
Impairment loss		-	(500,000)	-	(500,000)
Accounting and audit expenses		(80,990)	(75,937)	(80,990)	(75,937)
Marketing and promotion expenses		(137,893)	(222,820)	(137,893)	(222,820)
Rent and occupancy expenses		(263,208)	(122,413)	(263,208)	(110,774)
Consulting expenses		(809,106)	(573,494)	(809,106)	(573,494)
Write Down Intercompany Loans		-	-	(279,319)	-
Loss on fair value of investments held		-	-	-	(323,333)
Share of (net loss) / write back accounted for using equity method	26	-	43,344	-	43,344
Administrative expenses	5	(959,694)	(806,283)	(974,510)	(805,035)
Total expenses		(3,473,210)	(4,932,012)	(3,706,347)	(4,961,091)
(Loss) before finance costs and income tax		(2,983,396)	(1,600,501)	(3,189,789)	(4,675,923)
Finance costs		(8,572)	(19,633)	(8,572)	(19,633)
(Loss) before income tax		(2,991,968)	(1,620,134)	(3,198,361)	(4,695,566)
Income tax expense	6	-	-	-	-
(Loss) from continuing operations		(2,991,968)	(1,620,134)	(3,198,361)	(4,695,556)
(Loss) for the year		(2,991,968)	(1,620,134)	(3,198,361)	(4,695,556)
(Loss) attributable to the members of the parent		(2,991,968)	(1,620,134)	(3,198,361)	(4,695,556)
Basic loss per share (cents per share)	18	(0.07)	(0.05)		
Diluted loss per share (cents per share)	18	(0.07)	(0.05)		

The accompanying notes form part of these financial statements

Consolidated Balance Sheet

As at 30 June 2009	Note	CONSOLIDATED		PARENT ENTITY	
		2009	2008	**2009**	2008
		$	$	$	$
CURRENT ASSETS					
Cash and cash equivalents	17	**5,245,386**	3,655,535	**5,097,694**	3,622,277
Receivables	7	**602,752**	476,962	**40,042,318**	42,488,135
Financial assets at fair value through profit or loss	10	**1,412,709**	6,174,291	**1,400,000**	1,176,667
Other financial assets	9	**22,000**	151,939	**22,000**	44,035
Other current assets	8	**84,432**	135,776	**83,725**	135,735
TOTAL CURRENT ASSETS		**7,367,279**	10,594,503	**46,645,737**	47,466,849
NON-CURRENT ASSETS					
Investment in Associate	26	**-**	-	**-**	-
Property, plant and equipment	11	**1,037,064**	767,617	**1,037,064**	767,617
Deferred exploration, evaluation and development	12	**45,160,607**	42,702,933	**68,752**	208,377
TOTAL NON-CURRENT ASSETS		**46,197,671**	43,470,550	**1,105,816**	975,994
TOTAL ASSETS		**53,564,950**	54,065,053	**47,751,553**	48,442,843
CURRENT LIABILITIES					
Trade and other payables	13	**1,760,667**	444,854	**1,760,449**	444,430
Provisions	14	**67,847**	52,461	**67,847**	52,461
TOTAL CURRENT LIABILITIES		**1,828,514**	497,315	**1,828,296**	496,891
NON-CURRENT LIABILITIES					
Provisions	14	**324,219**	313,982	**39,219**	13,982
TOTAL NON-CURRENT LIABILITIES		**324,219**	313,982	**39,219**	13,982
TOTAL LIABILITIES		**2,152,733**	811,297	**1,867,515**	510,873
NET ASSETS		**51,412,217**	53,253,756	**45,884,038**	47,931,970
EQUITY					
Share capital	15	**84,328,532**	83,403,439	**84,328,532**	83,403,439
Other reserves	16	**1,251,168**	1,025,832	**1,251,168**	1,025,832
Accumulated Losses	16	**(34,167,483)**	(31,175,515)	**(39,695,662)**	(36,497,301)
TOTAL EQUITY		**51,412,217**	53,253,756	**45,884,038**	47,931,970

The accompanying notes form part of these financial statements

For the year ended 30 June 2009	CONSOLIDATED		PARENT ENTITY	
	2009	2008	**2009**	2008
	$	$	**$**	$
TOTAL EQUITY AT THE BEGINNING OF THE YEAR	**53,253,756**	45,510,891	**47,931,970**	43,264,527
Employee share options reserve	**225,336**	195,833	**225,336**	195,833
Net expense recognised directly in equity	**225,336**	195,833	**225,336**	195,833
(Loss) for the year	**(2,991,968)**	(1,620,134)	**(3,198,361)**	(4,695,556)
Total recognised expense for the period	**(2,766,632)**	(1,424,301)	**(2,973,025)**	(4,499,723)
Attributable to:				
Members of the parent	**(2,766,632)**	(1,424,301)	**(2,973,025)**	(4,499,723)
	(2,766,632)	(1,424,301)	**(2,973,025)**	(4,499,723)
Transactions with equity holders in their capacity as equity holders:				
Contributions	**1,000,000**	9,441,116	**1,000,000**	9,441,116
Capital Raising Costs	**(74,907)**	(273,950)	**(74,907)**	(273,950)
	925,093	9,167,166	**925,093**	9,167,166
TOTAL EQUITY AT THE END OF THE YEAR	**51,412,217**	53,253,756	**45,884,038**	47,931,970

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

For the year ended 30 June 2009	Note	CONSOLIDATED		PARENT ENTITY	
		2009	2008	**2009**	2008
		$	$	$	$
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts		**114,172**	1,077,373	**114,172**	1,077,373
Payments to suppliers and employees		**(1,688,978)**	(5,061,014)	**(1,568,514)**	(4,716,468)
Payments for exploration and evaluation costs		**(2,696,023)**	(3,940,567)	**(37,726)**	(158,664)
Interest received		**249,795**	82,569	**243,265**	74,886
Borrowing Costs		**(8,572)**	(19,633)	**(8,572)**	(19,633)
NET CASH FLOWS USED IN OPERATING ACTIVITIES	*17(a)*	**(4,029,606)**	(7,861,272)	**(1,257,375)**	(3,742,506)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment		**(404,919)**	(75,680)	**(404,919)**	(75,680)
Purchase of listed securities		**-**	(1,250,000)	**-**	(1,250,000)
Payments for bonds and deposits		**-**	(8,530)	**-**	(1,542)
Proceeds from matured bonds and deposits		**129,939**	50,000	**22,035**	50,000
Proceeds from sale of shares In listed company		**4,969,344**	42,507	**-**	-
NET CASH FLOWS PROVIDED BY/(USED IN) INVESTING ACTIVITIES		**4,694,364**	(1,241,703)	**(382,884)**	(1,277,222)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of ordinary shares		**1,000,000**	9,241,116	**1,000,000**	9,241,116
Payment of share issue costs		**(74,907)**	(273,950)	**(74,907)**	(273,950)
Advances from (to) related parties (net)		**-**	-	**2,190,583**	(4,083,817)
NET CASH FLOWS PROVIDED BY FINANCING ACTIVITIES		**925,093**	8,967,166	**3,115,676**	4,883,349
NET INCREASE (DECREASE) IN CASH HELD		**1,589,851**	(135,809)	**1,475,417**	(136,379)
Add opening cash brought forward		**3,655,535**	3,791,344	**3,622,277**	3,758,656
CLOSING CASH CARRIED FORWARD	*17(b)*	**5,245,386**	3,655,535	**5,097,694**	3,622,277

The accompanying notes form part of these financial statements

Note 1: Basis of Preparation

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial report covers Lakes Oil N.L. as an individual parent entity and Lakes Oil N.L. and controlled entities as a consolidated entity. Lakes Oil N.L. is a company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue by the Directors at the date of the Directors' report.

The following is a summary of material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation of the financial report.

Compliance with IFRS
Australian Accounting Standards include Australian equivalent to International Financial Reporting Standards. Compliance with Australian equivalent International Financial Reporting Standards ensures compliance with International Financial Reporting Standards.

Historical Cost Convention
The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Summary of significant accounting policies

(b) Principles of consolidation

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

Information from the financial statements of subsidiaries is included from the date the parent company obtains control until such time as control ceases. Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which the company has control. Details on the controlled entities are detailed in Note 10.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

(c) Foreign currency transactions

Transactions and Balances
Transactions in foreign currencies of entities within the consolidated entity are translated into functional currency at the rate of exchange prevailing at the date of the transaction.

(d) Cash and cash equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues and is recognised when earned. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

Note 1: Basis of Preparation (Continued)

(f) Impairment of assets

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired. Exploration and evaluation assets are tested for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell and value in use.

(g) Property, plant and equipment

Cost and valuations
Freehold land and buildings are shown at fair value less accumulated depreciation for buildings and accumulated impairment losses.

At each balance date the carrying value of each asset is reviewed to ensure that it does not differ materiality from the asset's fair value at reporting date. Where necessary, the asset is revalued to reflect its fair value. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the assets.

All other classes of property, plant and equipment are stated at cost less depreciation and any accumulated impairment loss.

The carrying amount of plant and equipment is reviewed annually for impairment by directors to ensure it is not in excess of the recoverable amount from those assets. Refer to note 1(f).

Depreciation
Land is not depreciated. The depreciable amounts of all other plant and equipment is provided on a diminishing value basis. Leasehold improvements are depreciated on a straight-line basis over the lease term.

The useful lives for each class of assets are:

	2009	**2008**
- motor vehicles	5 years	5 years
- technical equipment	3-10 years	3 - 10 years
- computer equipment	3 years	3 years
- plant and equipment	7 years	7 years
- office equipment	8 years	8 years
- buildings	40 years	40 years
Leasehold improvements	The lease term	The lease term

(h) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits identified with ownership.

Operating leases
The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in the period in which they are incurred.

Finance leases
The group currently has no finance leases.

Note 1: Basis of Preparation (continued)

(i) Joint venture operations

Interests in joint venture operations are brought to account by including in the respective classifications, the share of individual assets employed and share of liabilities and expenses incurred in accordance with AASB 131 "Joint Ventures".

(j) Exploration and evaluation costs

Costs arising from exploration activities are carried forward provided such costs are expected to be recouped through successful development or sale, or exploration activities have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. AASB 6 "Exploration for and Evaluation of Mineral Resources" requires that the company perform impairment tests on those assets when facts and circumstances suggest that the carrying amount may be impaired.

Exploration expenses are recognised on a net basis.

Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

Amortisation
Costs on production areas are amortised over the life of the area of interest to which such costs relate on the production output basis. The entity does not currently have any production areas.

Restoration costs
Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. Accordingly, these costs are recognised gradually over the life of the facility as these phases occur. The costs include obligations relating to reclamation, waste site closure, platform removal and other costs associated with the restoration of the site. These estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs that have been discounted to their present value. Any changes in the estimates are adjusted on a retrospective basis. In determining the restoration obligations, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to restoration of such wells in the future.

(k) Payables

Liabilities for trade creditors and other amounts are carried at cost after the initial recognition of the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Payables to related parties are carried at the principal amount.

(l) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

A provision for dividends is not recognised as a liability unless dividends are declared, determined or publicly recommended on or before the reporting date.

(m) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(n) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and that the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest
Control of the right to receive the interest payment.

Note 1: Basis of Preparation (continued)

Sale of Investments
In respect of sales of fixed assets or investments, the proceeds arising from their sale are recognised when control of the asset is passed to the buyer

All revenue is stated net of the amount of goods and services tax (GST).

(o) Taxes

Income tax losses
Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax Consolidation
The parent entity and its controlled entities have formed an income tax consolidated group under the tax consolidation legislation. The parent entity is responsible for recognising the current and deferred tax assets arising in respect of tax losses for the tax consolidated group. The tax consolidated group has also entered a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(p) Employee benefits

Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

Share-based payments
There is no formal share option plan. However, from time to time share options are granted to directors, employees and consultants on a discretionary basis. The bonus element over the exercise price for the grant of shares and options is recognised as an expense in the Income Statement in the period(s) when the benefit is earned.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options at grant date.

(q) Third Party Share-based payments

From time to time share options are granted to third parties on a discretionary basis for services rendered. The bonus element over the exercise price for the grant of shares and options is recognised as an expense in the Income Statement in the period(s) when the services were provided.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options at grant date.

(r) Financial Instruments

Classification
The group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates the designation at each reporting date.

Note 1: Basis of Preparation (continued)

(r) Financial Instruments (continued)

Financial assets at fair value through profit or loss
Investments in listed securities are carried at fair value through profit and loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in the profit and loss of the current period. Fair value of listed investments are based on current bid prices.

Non-listed investment for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

Held-to-Maturity Investments
Fixed term investments intended to be held to maturity are classified as held-to-maturity investments. These are measured at amortised cost using the effective interest rate method.

Loans and Receivables
Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method.

Financial Liabilities
Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

(s) Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(t) Investments in Associates

An associate is an entity in which the consolidated entity has significant influence, but not control, over the financial and operating policies. The financial statements include the entity's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influences ceases.

The entity's carrying value of the investment is reduced to nil where the entity's share of losses exceeds its interest in an associate. Recognition of further losses are discontinued except to the extent that the entity has incurred legal or constructive obligations or made payments on behalf of an associate.

Investments in associates are carried at cost less any impairment loss. The fair value of investments in listed shares of associates is their current market value at the balance sheet date.

(u) New Accounting Standards and Interpretations

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective. The directors have not yet assessed the impact of these standards or interpretations.

Note 2: Critical Accounting Estimates and Judgements

Estimates and judgements are based on past performance and management's expectation for the future.

The group makes certain estimates and assumptions concerning the future, which, by definition will seldom represent actual results. The estimates and assumptions that have a significant inherent risk in respect of estimates based on future events, which could have a material impact on the assets and liabilities in the next financial year, are discussed below.

(a) Income taxes

Income tax benefits are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Note 2: Critical Accounting Estimates and Judgements (cont.)

(b) Employee benefits

Calculation of long term employment benefits requires estimation of the retention of staff, future remuneration levels and timing of the settlement of the benefits. The estimates are based on historical trends.

(c) Share based payments

Calculation of share based payments requires estimation of the timing of the exercise of the underlying equity instrument. The estimates are based on historical trends.

(d) Deferred exploration expenditure

Exploration expenditure is carried forward when management expect that the expenditure can be recouped through successful development and exploration of the area of interest. In this event management will consider impairment of deferred exploration expenditure in accordance with note 1(f) and 1(j).

Where sufficient data does not exist to indicate successful development and there is an ongoing commitment to significant exploration in the area of interest, the exploration expenditure is carried forward.

(e) Provision for restoration costs

Restoration costs that are expected to be incurred are provided for as part of the cost of the deferred exploration expenditure. The costs include obligations relating to reclamation, waste site closure, platform removal and other costs associated with the restoration of the site. These costs are estimated and are based on the anticipated technology and legal requirements and future costs. These costs are also dependent on there being no significant changes to relevant federal and state legislation.

Note 3: Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and loans to and from subsidiaries.

The group does not have any derivative instruments.

Financial Risks
The main risks the group is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and market or price risk.

Interest rate risk
The group does not currently have any interest bearing debt. Cash deposits attract interest at the prevailing floating interest rate. The consolidated entities exposure to interest rate risk at 30 June 2009 was:

- cash at bank – floating interest rate 4.00% (2008 4.15%)

All other financial assets and liabilities are not exposed to interest rate risk.

Foreign currency risk
The group is not exposed to any material fluctuations in foreign currencies.

Liquidity risk
The group manages liquidity risk by forecasting and monitoring cash flows on a continuing basis.

Market or Price Risk
Investments in listed securities at fair value through profit and loss are measured at fair value at reporting date based on current bid prices. If security prices were to increase/decrease by 10% from fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and the equity is below. This risk is managed by monitoring security prices on a regular basis.

Note 3: Financial Risk Management (cont.)

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	**2009**	2008
	$	$	$	$
+/- 10% price variation *Impact on Profit after tax*	**141,270**	617,429	**140,000**	117,667
Impact on equity	**141,270**	617,429	**140,000**	117,667

Credit risk

The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The economic entity does not have any material credit risk exposure to cash on hand or any single receivable or group of receivables under financial instruments entered into by the economic entity. This risk is managed by ensuring the group only trades with parties that are able to trade on the group's credit terms.

Fair values

The net fair value of financial assets and financial liabilities approximate their carrying amounts as disclosed in the Balance Sheet and Notes to the Financial Statements.

Note 4: Revenue

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	**2009**	2008
	$	$	$	$
REVENUE FROM CONTINUING OPERATIONS				
Other revenues				
Interest - Other persons/corporations	**276,381**	94,838	**269,185**	87,114
Rental fees	**-**	19,669	**-**	19,669
Operator fees	**24,040**	18,581	**24,040**	18,581
Gain on sale of listed securities	**-**	10,713	**-**	-
Gain on fair value of investments held	**189,393**	3,027,906	**223,333**	-
Tax Rebate – Research and Development	**-**	159,804	**-**	159,804
Total revenues from continuing operations	**489,814**	3,331,511	**516,558**	285,168

Note 5: Loss from Continuing Operations

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	**2009**	2008
	$	$	$	$
Loss from continuing operations before income tax has been determined after the following specific expenses:				
(a) Employee benefits expense				
Wages and salaries	**490,501**	454,233	**490,501**	454,233
Superannuation costs	**51,171**	39,644	**51,171**	39,644
Expense of share – based payments	**225,336**	195,833	**225,336**	195,833
Other employee related costs	**81,490**	37,064	**81,490**	37,064
Total employee benefits expenses	**848,498**	726,774	**848,498**	726,774
(b) Depreciation of non-current assets				
Plant and equipment	**2,688**	52	**2,688**	52
Office equipment	**3,391**	1,844	**3,391**	1,844
Motor vehicles	**14,026**	17,262	**14,026**	17,262
Computer equipment	**41,909**	23,279	**41,909**	23,279
Buildings	**10,972**	3,712	**10,972**	3,712
Technical equipment	**2,451**	3,274	**2,451**	3,274
Leasehold Improvements	**60,035**	-	**60,035**	-
Total depreciation expenses	**135,472**	49,423	**135,472**	49,423
(c) Other expenses from ordinary activities include:				
Travel and accommodation	**61,506**	130,048	**61,506**	130,048
Share registry costs and listing fees	**153,135**	119,013	**153,135**	119,013
Legal fees	**375,552**	109,352	**375,552**	109,352
Directors fees	**106,750**	100,000	**106,750**	100,000
Insurance premiums	**153,146**	75,108	**153,146**	75,108
Bad Debt	**-**	205,003	**-**	205,003
Office expenses	**359,083**	386,200	**373,899**	384,952
Miscellaneous expenses	**10,143**	1,098	**10,143**	1,098
	1,219,315	1,125,822	**1,234,131**	1,124,874
Less portion attributed to exploration permits capitalised	**(259,621)**	(319,539)	**(259,621)**	(319,539)
Total other expenses from ordinary activities	**959,694**	806,283	**974,510**	805,035

(d) Specific items

There are no additional revenues or expenses whose disclosure is relevant in explaining the financial performance of the entity.

Note 6: Income Tax

(a) The components of tax expense:

Current tax	-	-	-	-
Deferred tax	-	-	-	-
Under (over) provision in prior years	-	-	-	-
Total income tax expenses	-	-	-	-

Note 6: Income Tax (cont.)

(b) Income tax benefit

The prima facie tax, using tax rates applicable in the country of operation, on profit/(loss) differs from the income tax provided in the financial statements as follows:

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	**2009**	2008
	$	$	$	$
Loss from ordinary activities	**(2,991,968)**	(1,620,134)	**(3,198,361)**	(4,695,556)
Prima facie tax benefit on loss from ordinary activities at 30%	**(897,590)**	(486,040)	**(959,508)**	(1,408,666)
Tax effect of (deductible)/non-deductible expenses				
(Deductible)/non-deductible expenses	**45,079**	(1,510,270)	**106,997**	459,183
Income tax benefit arising from current year	**(852,511)**	(1,996,310)	**(852,511)**	(949,483)
Add: Benefit of tax losses not brought to account	**852,511**	1,996,310	**852,511**	949,483
Income tax expense attributable to ordinary activities	**-**	-	**-**	-
Income tax losses Deferred tax assets arising from tax losses of the economic entity not brought to account at balance date as realisation of the benefit is not probable.	**15,548,205**	14,695,694	**15,548,205**	14,695,694

The amount of deferred tax assets which may be realised in the future is dependent on the assumption that no adverse change will occur in income tax legislation and the anticipation that the economic entity will drive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by law.

Note 7: Receivables

CURRENT

Trade debtors	**425,675**	414,102	**323,970**	414,102
GST receivable	**177,077**	62,860	**177,077**	62,860
	602,752	476,962	**501,047**	476,962
Unsecured loans to controlled entities	**-**	-	**41,063,703**	43,254,286
Less provision for impairment	**-**	-	**(1,522,432)**	(1,243,113)
	-	-	**39,541,271**	42,011,173
	602,752	476,962	**40,042,318**	42,488,135

(a) Terms and conditions
Terms and conditions relating to the above financial instruments

(i) Trade debtors are non-interest bearing and generally on 30 day terms.

(b) Related party receivables
Details of the terms and conditions of related party receivables are set out in note 21.

Note 8: Other Current Assets

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	**2009**	2008
	$	$	$	$
Prepayments	**45,387**	123,317	**45,387**	123,317
Accrued interest	**39,045**	12,459	**38,338**	12,418
	84,432	135,776	**83,725**	135,735

Note 9: Other Financial Assets

CURRENT

Security deposits for exploration permits	**-**	129,939	**-**	22,035
Bonds and guarantees for property leases	**22,000**	22,000	**22,000**	22,000
	22,000	151,939	**22,000**	44,035

Terms and conditions
Terms and conditions relating to the above financial instruments

(i) Security deposits for exploration permits are interest bearing, the deposits are refunded upon the exploration permit being relinquished.

(II) Security deposits for property leases are non-interest bearing and are refunded upon the termination of the lease contract.

Note 10: Financial Assets at Fair Value through Profit or Loss

(a) Investments in listed securities at fair value through profit or loss comprise

Roma Petroleum Ltd	**-**	4,969,344	**-**	-
Stellar Resources	**2,000**	8,750	**-**	-
Eagle Bay Resources	**10,709**	19,530	**-**	-
Greenearth Energy Ltd.	**1,400,000**	1,050,000	**1,400,000**	1,050,000
Greenearth Energy Listed Bonus Options	**-**	126,667	**-**	126,667
	1,412,709	6,174,291	**1,400,000**	1,176,667

Lakes Oil N.L. holds 13,333,333 unlisted options in Gippsland Offshore Petroleum Limited ('GOP'). These were issued inter alia to the Company at the time of initial ASX Listing of GOP. Upon the exercise of the "initial" 20 cent options (by November 2009), 13,333,333 would then be granted to Lakes Oil N.L. at an exercise price of 40 cents and with an expiry date any time up to two years from the date of issue.

Note 10: Financial Assets at Fair Value through Profit or Loss (cont.)

Lakes Oil N.L holds 8,333,334 unlisted options in ASX listed company Greenearth Energy Limited ("GER"). These were issued inter alia to the company at the time of initial ASX listing of GER. Upon exercise of the "initial" 45 cent options (by 30 September 2010) 8,333,334 would then be granted at an exercise price of 60 cents and with an expiry date any time up two years from the date of issue.

In April 2009 3,333,333 options in Greenearth Energy Limited expired. The value of the options were written off via the income statement.

(b) Investments in controlled entities unlisted and carried at cost less impairment losses comprise

Name of Controlled Entity	Country of Incorporation	Percentage of equity interest held by the consolidated entity		Investment	
		2009	2008	**2009**	2008
Lakes Oil, Inc.	U.S.A.	100%	100%	**460,021**	460,021
Mirboo Ridge Pty. Ltd.	Australia	100%	100%	**10,062**	10,062
Petro Tech Pty. Ltd.	Australia	100%	100%	**722,102**	722,102
Otway Resources Pty. Ltd.	Australia	100%	100%	**1**	1
Commonwealth Mining Pty. Ltd.	Australia	100%	100%	**5**	5
Geothermal Energy Victoria Pty. Ltd.*	Australia	100%	100%	**1**	1
The Gippsland Gas Corp. Pty. Ltd.	Australia	100%	100%	**500**	500
Gippsland Petroleum Pty. Ltd.	Australia	100%	100%	**5**	5
Poolawanna Petroleum Pty Ltd.	Australia	100%	100%	**500,000**	500,000
			Totals	**1,692,697**	1,692,697
Impairment				**(1,692,697)**	(1,692,697)
Carrying value of investments				**-**	-

* - investment held by Petro Tech Pty Ltd

Note 11: Property, Plant and Equipment

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	**2009**	2008
	$	$	$	$
Plant and equipment				
At cost	**17,000**	3,000	**17,000**	3,000
Accumulated depreciation	**(5,482)**	(2,794)	**(5,482)**	(2,794)
	11,518	206	**11,518**	206
Motor vehicles				
At cost	**132,310**	132,310	**132,310**	132,310
Accumulated depreciation	**(71,535)**	(57,509)	**(71,535)**	(57,509)
	60,775	74,801	**60,775**	74,801
Office equipment				
At cost	**53,934**	36,634	**53,934**	36,634
Accumulated depreciation	**(30,156)**	(26,765)	**(30,156)**	(26,765)
	23,778	9,869	**23,778**	9,869
Computer equipment				
At cost	**255,773**	184,851	**255,773**	184,851
Accumulated depreciation	**(194,742)**	(152,833)	**(194,742)**	(152,833)
	61,031	32,018	**61,031**	32,018
Technical equipment				
At cost	**29,380**	29,380	**29,380**	29,380
Accumulated depreciation	**(23,340)**	(20,889)	**(23,340)**	(20,889)
	6,040	8,491	**6,040**	8,491
Buildings				
At cost	**204,217**	114,480	**204,217**	114,480
Accumulated Depreciation	**(14,684)**	(3,712)	**(14,684)**	(3,712)
	189,533	110,768	**189,533**	110,768

Note 11: Property, Plant and Equipment (cont.)

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	**2009**	2008
	$	$	$	$
Leasehold Improvements				
At cost	**249,739**	36,779	**249,739**	36,779
Accumulated Depreciation	**(96,814)**	(36,779)	**(96,814)**	(36,779)
	152,925	-	**152,925**	-
Land				
At cost	**531,464**	531,464	**531,464**	531,464
Total property, plant and equipment	**1,037,064**	767,617	**1,037,064**	767,617
Reconciliations Reconciliation of the carrying value of plant and equipment at the beginning and end of the current and previous financial year.				
Plant and equipment:				
Carrying amount at beginning	**206**	258	**206**	258
Additions	**14,000**		**14,000**	
Depreciation	**(2,688)**	(52)	**(2,688)**	(52)
	11,518	206	**11,518**	206
Motor vehicles				
Carrying amount at beginning	**74,801**	92,063	**74,801**	92,063
Additions	**-**	-	**-**	-
Depreciation	**(14,026)**	(17,262)	**(14,026)**	(17,262)
	60,775	74,801	**60,775**	74,801
Office equipment				
Carrying amount at beginning	**9,869**	11,442	**9,869**	11,442
Additions	**17,300**	271	**17,300**	271
Depreciation	**(3,391)**	(1,844)	**(3,391)**	(1,844)
	23,778	9,869	**23,778**	9,869
Computer equipment				
Carrying amount at beginning	**32,018**	53,647	**32,018**	11,442
Additions	**70,922**	2,006	**70,922**	2,006
Depreciation	**(41,909)**	(23,279)	**(41,909)**	(23,279)
Disposals	**-**	(356)	**-**	(356)
	61,031	32,018	**61,031**	32,018
Technical equipment				
Carrying amount at beginning	**8,491**	11,765	**8,491**	11,765
Depreciation	**(2,451)**	(3,274)	**(2,451)**	(3,274)
	6,040	8,491	**6,040**	8,491
Buildings				
Carrying amount at beginning	**110,768**	-	**110,768**	-
Additions	**89,737**	73,403	**89,737**	73,403
Transfer from Land	**-**	41,077	**-**	41,077
Depreciation	**(10,972)**	(3,712)	**(10,972)**	(3,712)
	189,533	110,768	**189,533**	110,768

Note 11: Property, Plant and Equipment (cont.)

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	**2009**	2008
	$	$	$	$
Land				
Carrying amount at beginning	**531,464**	572,541	**531,464**	572,541
Transfer to buildings	**-**	(41,077)	**-**	(41,077)
	531,464	531,464	**531,464**	531,464
Leasehold				
Carrying amount at beginning	-	-	-	-
Additions	**212,960**	-	**212,960**	-
Depreciation	**(60,035)**	-	**(60,035)**	-
	152,925	-	**152,925**	-

Note 12: Deferred Exploration, Evaluation and Development Costs

Exploration and evaluation costs carried forward in respect of mining areas of interest:				
Pre-production				
- exploration and evaluation phases				
Balance at the beginning of the year brought forward	**42,702,933**	40,960,578	**208,377**	1,966,558
Add: net expenditure incurred during the year	**2,696,023**	3,640,567	**37,726**	158,664
Less: net expenditure written off during the year	**(238,349)**	(1,898,212)	**(177,351)**	(1,616,845)
Less: reallocation of expenditure to Subsidiary	**-**	-	**-**	(300,000)
Total exploration and evaluation costs carried forward	**45,160,607**	42,702,933	**68,752**	208,377

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective permit areas.

Application for retention lease
Retention lease application has been submitted for permit PEP 158 to the Victorian Government seeking a 15 year term. Included in total deferred exploration evaluation costs carried forward in respect of PEP 158 is $2,583,889. If this application is not successful the amounts deferred will be written off to the profit and loss when an actual decision is made.

Note 13: Payables (Current)

Trade creditors	**1,549,791**	400,162	**1,549,791**	399,738
Related Party Creditors	**43,293**	19,580	**43,293**	19,580
Other creditors	**167,583**	25,112	**167,365**	25,112
	1,760,667	444,854	**1,760,449**	444,430

Note 13: Payables (Current) (cont.)

(a) Terms and conditions

Terms and conditions relating to the above financial instruments:

(i) Trade creditors are non-interest bearing and normally are settled on 30 day terms.

(ii) Other creditors are non-interest bearing and are settled on 30 to 90 day terms, following billing by suppliers.

(b) Related party payables

Details of the terms and conditions of related party payables are set out in Note 21.

Note 14: Provisions

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	**2009**	2008
	$	$	$	$
Current				
Employee benefits	**67,847**	52,461	**67,847**	52,461
Non current				
Employee benefits	**39,219**	13,982	**39,219**	13,982
Restoration costs	**285,000**	300,000	**-**	-
	324,219	313,982	**39,219**	13,982

Note 15: Contributed Equity

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	**2009**	2008
(a) Issued and paid up capital Ordinary shares fully paid, 4,462,095,386 (2008: 4,262,095,386) shares.	**84,328,532**	83,403,439	**84,328,532**	83,403,439

(b) Movements in shares on issue

	2009		2008	
	Number of shares	$	Number of shares	$
Beginning of the financial year	**4,262,095,386**	**83,403,439**	2,792,260,431	74,236,273
Issued during the year				
- public equity raising	**200,000,000**	**1,000,000**	1,469,834,955	9,441,116
- less share issue costs	**-**	**(74,907)**	-	(273,950)
End of the financial year	**4,462,095,386**	**84,328,532**	4,262,095,386	83,403,439

(c) Terms and condition of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

Note 15: Contributed Equity (cont.)

(d) Share Options

(1) Issued to Directors and Staff

The issue of options provides an effective way for the directors to give employees a chance to share in the success of the company and enhance the ability of the company to retain staff of the required calibre, at a lower rate of remuneration that might otherwise be required.

As part of the directors annual remuneration review, consideration is given to individual employee's performance, workload and dedication to achieving the company's objectives when deciding whether or not to award options as an incentive.

(i) ***Options held at the beginning of the reporting period***

The following options were held by directors and staff as at 1 July 2008:

Number of Options	Grant Date	Vesting Date	Expiry Date	Exercise Price
19,500,000	24 Nov 2004	24 Nov 2004	17 Nov 2009	7.14 cents
3,400,000	6 June 2005	6 June 2005	17 Nov 2009	7.14 cents
26,500,000	17 Aug 2005	17 Aug 2005	17 Nov 2009	5 cents
4,250,000	10 Jan 2006	10 Jan 2006	17 Nov 2009	3 cents
7,100,000	7 Mar 2007	7 Mar 2007	17 Nov 2009	3 cents
11,850,000	9 Feb 2008	9 Feb 2008	9 Jan 2013	1.5 cents
72,600,000				

(ii) **Options granted during the period**

No options were granted during the period.

(iii) **Options exercised**

No options were exercised by staff or directors during the financial year.

(iv) **Options lapsed**

The following options lapsed during the financial year.

Number of Options	Grant Date	Vesting Date	Expiry Date	Exercise Price
1,000,000	6 Jun 2005	6 Jun 2005	17 Nov 2009	7.14 cents
500,000	10 Jan 2006	10 Jan 2006	17 Nov 2009	3 cents
1,500,000	7 Mar 2007	7 Mar 2007	17 Nov 2009	3 cents
2,000,000	9 Feb 2008	9 Feb 2008	9 Jan 2013	1.5 cents
5,000,000				

(v) **Options held as at the end of the reporting period**

The following options held by directors and staff up to and including 30 June 2009:

Number of Options	Grant Date	Vesting Date	Expiry Date	Exercise Price
19,500,000	24 Nov 2004	24 Nov 2004	17 Nov 2009	7.14 cents
2,400,000	6 June 2005	6 June 2005	17 Nov 2009	7.14 cents
26,500,000	17 Aug 2005	17 Aug 2005	17 Nov 2009	5 cents
3,750,000	10 Jan 2006	10 Jan 2006	17 Nov 2009	3 cents
5,600,000	7 Mar 2007	7 Mar 2007	17 Nov 2009	3 cents
9,850,000	9 Feb 2008	9 Feb 2008	9 Jan 2013	1.5 cents
67,600,000				

(vi) **Valuation of options**

Options are valued using the Black-Scholes pricing model using the following inputs.

	2008
Weighted average fair value of options granted during the year (at grant date)	0.31 cents
Weighted average exercise price	$0.08
Volume weighted average share price during the year	$0.008
Weighted average expected share volatility	70%
Weighted average risk free interest rate	6.35%
Expected dividends	-
Average option life	3.5 years

Note 15: Contributed Equity (cont.)

The volatility is determined by using Lakes Oil N.L's historical volatilities on a 6 and 12 month basis as well as considering the historical volatilities of 5 other comparable listed companies prior to grant date. Historical volatility has been the basis for determining expected future share price volatility. No options have been granted during the 2008/09 financial year.

(2) Issued to third parties – Former Consultants
Each option entitles the holder to acquire one fully paid ordinary share in the company at various prices per share at any time up to and including 11 November 2009 subject to standard terms and conditions attached to Lakes Oil NL options.

	Total
Balance at start of year	24,500,000
Transferred from staff during the year	-
Balance at end of year	24,500,000

The following terms are attached to the options held by third parties:

Number of Options	Grant Date	Vesting Date	Expiry Date	Exercise Price
4,500,000	24 Nov 2004	24 Nov 2004	17 Nov 2009	7.14 cents
19,500,000	17 Aug 2005	17 Aug 2005	17 Nov 2009	5 cents
500,000	10 Jan 2006	10 Jan 2006	17 Nov 2009	3 cents
24,500,000				

(e) Capital Management
When managing capital, management's objective is to ensure the entity continues as a going concern as well as ensuring there are sufficient funds to meet exploration commitments, which is performed via monitoring of historical performance and cashflow forecasts.

Note 16: Reserves and Accumulated Losses

		CONSOLIDATED		PARENT ENTITY	
		2009	2008	**2009**	2008
		$	$	$	$
Third party options reserve	(a)	**345,866**	345,866	**345,866**	345,866
Employee equity benefits reserve	(b)	**905,302**	679,966	**905,302**	679,966
Accumulated losses	(c)	**34,167,483**	31,175,515	**39,695,662**	36,497,301

(a) Reserves

Third party options reserve

(i) Nature and purpose of reserve
This reserve represents the fair value of options granted to third parties as detailed in Note 15

(ii) Movement in reserve

	2009	2008	**2009**	2008
Balance at beginning of year	**345,866**	345,866	**345,866**	345,866
Balance at end of year	**345,866**	345,866	**345,866**	345,866

(b) Employee equity benefits reserve
(i) Nature and purpose of reserve
This reserve represents the fair value of options that is attributable up to 30 June 2006 granted to staff and directors as detailed in Note 15

	2009	2008	**2009**	2008
Opening balance	**679,966**	484,133	**679,966**	484,133
Share based payments	**225,336**	195,833	**225,336**	195,833
Closing balance	**905,302**	679,966	**905,302**	679,966
Total Reserves	**1,251,168**	1,025,832	**1,251,168**	1,025,832

Note 16: Reserves and Accumulated Losses (cont.)

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	**2009**	2008
	$	$	$	$
(c) Accumulated losses				
Balance at the beginning of the year	**31,175,515**	29,555,381	**36,497,301**	31,801,745
Net loss attributable to members of Lakes Oil N.L.	**2,991,968**	1,620,134	**3,198,361**	4,695,556
Balance at the end of the year	**34,167,483**	31,175,515	**39,695,662**	36,497,301

Note 17: Cash Flow Information

(a) Reconciliation of the operating loss after tax to the net cash flows from operations				
Net loss	**(2,991,968)**	(1,620,134)	**(3,198,361)**	(4,695,556)
Non-Cash Items				
Depreciation of plant and equipment	**135,472**	49,423	**135,472**	49,423
Exploration and evaluation costs written off	**238,349**	1,898,212	**177,351**	1,616,845
(Profit)/loss on sale of listed securities	**(18,362)**	(10,713)	**-**	-
(Gain)/loss on fair value of investments held	**(189,393)**	(3,027,906)	**(223,333)**	323,333
Profit/write off of fixed assets	**-**	356	**-**	356
Employee equity share based payments	**225,336**	195,833	**225,336**	195,833
Equity accounted loss/(write back) after tax	**-**	(43,344)	**-**	(43,344)
Impairment loss	**-**	500,000	**-**	500,000
Write down intercompany loans	**-**	-	**279,319**	-
Changes in assets and liabilities				
(Increase)/decrease in exploration and evaluation costs carried forward	**(2,696,023)**	(3,940,567)	**(37,726)**	(158,664)
(Increase)/decrease in trade debtors	**(11,573)**	879,320	**90,132**	879,320
(Increase)/decrease in other current assets	**51,344**	(84,512)	**52,010**	(84,472)
Increase/(decrease) in payables	**1,315,806**	(3,197,230)	**1,316,019**	(2,865,570)
(Increase)/decrease in GST receivable	**(114,217)**	542,342	**(114,217)**	542,342
Increase/(decrease) in employee entitlement provisions	**40,623**	(2,352)	**40,623**	(2,352)
Increase/(decrease) in restoration costs provision	**(15,000)**	-	**-**	-
Net cash flows used in operating activities	**(4,029,606)**	(7,861,272)	**(1,257,375)**	(3,742,506)
(b) Reconciliation of cash				
Cash at bank	**5,244,873**	3,655,022	**5,097,194**	3,621,777
Cash on hand	**513**	513	**500**	500
Total cash	**5,245,386**	3,655,535	**5,097,694**	3,622,277

Note 18: Loss Per Share

	2009	2008
	$	$
Net loss	**(2,991,968)**	(1,620,134)
Adjustments:		
- nil		
Loss used in calculating basic and diluted earnings per share	**(2,991,968)**	(1,620,134)
Weighted average number of ordinary shares on issue used in calculating basic earnings per share	**4,268,670,728**	3,191,835,045
Effect of dilutive securities:		
- Share options		
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	**4,268,670,728**	3,191,835,045
Basic loss per share (cents per share)	**(0.07)**	(0.05)
Diluted loss per share (cents per share)	**(0.07)**	(0.05)

In respect to the years ended 30 June 2008 and 2009, the basic loss per share equated to the diluted loss per share. Outstanding options are not considered to be dilutive due to the material differences between the exercise prices of the options and the prevailing share prices at the respective balance dates.

At 30 June 2009 the quoted market price of Lakes Oil N.L. shares was less then the exercise price of the options.

Conversion, calls, subscriptions or issues after 30 June 2009
Since the end of the financial year, no ordinary shares have been issued by private placement.

Note 19: Expenditure Commitments & Contingencies

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	**2009**	2008
	$	$	**$**	$
(a) Lease expenditure commitments				
Operating leases (non-cancellable)				
Minimum lease payments				
- not later than one year	**209,620**	209,620	**209,620**	209,620
- later than one year and not later than five years	**1,404,011**	1,613,631	**1,404,011**	1,613,631
Aggregate lease expenditure contracted for at balance date	**1,613,631**	1,823,251	**1,613,631**	1,823,251
These commitments represent payments due for leased premises under a non-cancellable operating lease. The lease is due to expire on 1 July 2014.				
(b) Exploration commitments				
Estimated exploration commitments at balance date, but not provided for, payable:				
- not later than one year	-	125,000	-	125,000
- later than one year and not later than five years	-	-	-	-
Aggregate exploration expenditure contracted for at balance date	-	125,000	-	125,000

Note 19: Expenditure Commitments & Contingencies (continued)

The company retains interests in exploration tenements via direct ownership and participation in joint ventures. To continue these interests a work program is maintained in each tenement for various periods up to five years. The work programs have minimum expenditure requirements and carry no formal commitments or legal obligations but are an indication of the tasks required to be completed to retain the permit.

If a decision is made to proceed with further exploration the group may spend up to $5 million in the period to 30 June 2010

(c) Fit out of Premises Commitments

Non-cancellable agreement for the fit out of premises:

- not later than one year	-	153,300	-	153,300
- later than one year and not later than five years	-	-	-	-
Aggregate Commitments at balance date	-	153,300	-	153,300

(d) Contingent Assets & Liabilities

There were no contingent assets or liabilities outstanding at balance date. Contingent assets and contingent liabilities disclosed during the 2008 year have been settled as detailed in the directors' report.

Note 20: Auditor's Remuneration

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	**2009**	2008
	$	$	$	$
Amounts paid or due and payable by Pitcher Partners				
– An audit and review of the financial report of the entity and any other entity in the consolidated entity	**57,650**	53,963	**57,650**	53,963
– Other services, in relation to the entity and any other entity in the consolidated entity	**9,800**	19,870	**9,800**	19,870
– tax compliance				
- Due Diligence services	**5,740**	7,756	**5,740**	7,756
	73,190	81,589	**73,190**	81,589

Note 21: Related Party Disclosures

(i) Ultimate parent

Lakes Oil N.L. is the ultimate Australian parent entity.

(ii) Director-related entity

Greenearth Energy Limited is a director-related entity of Lakes Oil N.L. Lakes Oil N.L. is a substantial shareholder of Greenearth Energy Limited with a 17.28% share interest.

(iii) Wholly-owned group transactions

As at 30 June 2009, an amount of $39,541,271 (2008: $42,011,173) was receivable by Lakes Oil N.L. from its various controlled entities (refer *Note 7*). The loans are unsecured and interest free.

(iv) Other related party transactions

Receivables

During this financial year and previous financial years, Lakes Oil N.L. settled accounts with consultants and contractors on behalf of the Trifon Tight Gas Project Farm-in and Joint Venture. As at 30 June 2009 an amount of $407,282 (2008: $305,576) was receivable by Lakes Oil N.L.

Note 21: Related Party Disclosures (continued)

Payables

During this financial year Greenearth Energy Limited settled accounts with consultants and contractors on behalf of Lakes Oil N.L. totalling $ 167,632 (2008:$19,583). As at 30 June 2009, an amount of $ 43,293 (2008: $19,583) was payable by Lakes Oil N.L

(v) Director transactions

During the year ended 30 June 2009, an amount of $395,000 excluding GST (2008: $245,000) was paid by Lakes Oil N.L. to Arc de Triomphe Securities Pty. Ltd., a company associated with Mr. R.J. Annells, a Director of the company, in respect of consulting services provided by him to the Group. All amounts paid to Director-related entities were charged on commercial and arm's-length terms and conditions.

(vi) Loans to Key Management Personnel.

There are no loans made by Lakes Oil N.L to key management personnel or any related party.

Note 22: Segment Information

Segment locations

The consolidated entity's operating companies are organised and managed separately according to the location of the investment.

Geographically, the group operates in two predominant segments, being Australia and the United States of America. The head office and all investment activity takes place in Australia.

Segment accounting policies

The group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market prices. Revenues are attributed to geographic areas based on the location of the assets producing the revenues.

Segment accounting policies are the same as the consolidated entity's accounting policies described in Note 1. During the financial year there were no changes in segment accounting policies that had a material effect on the segment information.

Note 22: Segment Information – Primary Segment

Geographic segment

The economic entity operates in two distinct geographic areas.

	Australia		U.S.A		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	$	$	$	$	$	$
Revenue						
Revenues from customers outside the consolidated entity	**489,814**	3,331,511	-	-	**489,814**	3,331,511
Inter-segment revenues	-	-	-	-		-
Total segment revenue	**489,814**	3,331,511		-	**489,814**	3,331,511
Unallocated revenue					-	-
Total consolidated revenue					**489,814**	3,331,511
Expenses	**(3,481,782)**	(4,951,282)	-	(363)	**(3,481,782)**	(4,951,645)
Results						
Segment result	**(2,991,968)**	(1,619,771)	-	(363)	**(2,991,968)**	(1,620,134)
Unallocated expenses					-	-
Consolidated entity loss from ordinary activities before income tax expenses					**(2,991,968)**	(1,620,134)
Income tax expense					-	-
Net loss					**(2,991,968)**	(1,620,134)
Assets						
Segment assets	**49,885,836**	50,445,904	**3,679,114**	3,619,149	**53,564,950**	54,065,053
Unallocated assets					-	-
Total assets					**53,564,950**	54,065,053
Liabilities						
Segment liabilities	**2,152,733**	811,297	-	-	**2,152,733**	811,297
Unallocated liabilities					-	-
Total liabilities					**2,152,733**	811,297
Other segment information						
Acquisition of plant and equipment	**404,919**	75,680	-	-	**404,919**	75,680
Depreciation	**135,472**	49,423	-	-	**135,472**	49,423
Non-cash expenses other than depreciation and amortisation	**238,349**	2,433,812	-	-	**238,349**	2,433,812
Deferred Exploration, Evaluation and Development Expenditure	**41,481,493**	39,083,784	**3,679,114**	3,619,149	**45,160,607**	42,702,933

Note 22: Segment Information – Secondary Segment

Business segment
The economic entity operates in the industry of oil and gas exploration and investment.

	Exploration		Investment		Consolidated	
	2009	2008	**2009**	2008	**2009**	2008
	$	$	$	$	$	$
Segment revenue	**300,421**	292,892	**189,393**	3,038,619	**489,814**	3,331,511
Segment assets	**52,152,241**	47,890,762	**1,412,709**	6,174,291	**53,564,950**	54,065,053
Other segment information						
Acquisition of property plant and equipment, and other non-current assets.	**404,919**	75,680	**-**	-	**404,919**	75,680

Note 23: Subsequent Events

The Company announced a one for four pro-rata non-renounceable rights issue on 16 July 2009, 1 cent per share. The issue raised $9,278,060. Proceeds of the issue are to be used for the Wombat 4 well and other ongoing exploration.

Note 24: Joint Venture Operations

As at 30 June 2009, the economic entity held interests in various unincorporated joint ventures. Apart from its share of the exploration permits which are the subject of the Ventures, the Company has no interest in any other Joint Venture assets. As at balance date, the Company had no outstanding amounts owing in respect of its respective Joint Ventures.

At 30 June 2009, the petroleum permits in which the Lakes Oil Group had an interest are as follows:

Joint Venture Permit name	Location (Basin name)	Registered holder	Group interest	
			2009	2008
PEP 163	Otway	Mirboo Ridge Pty Ltd	**100.00%**	100.00%
PEP 164	Otway	Mirboo Ridge Pty Ltd	**100.00%**	100.00%
PEP 169	Otway	Mirboo Ridge Pty Ltd	**100.00%**	100.00%
PRL 2	Gippsland	Petro Tech Pty. Ltd.	**100.00%**	100.00%
PRL 3 – Overall Permit	Gippsland	Petro Tech Pty. Ltd.	**100.00%**	100.00%
PRL 3 – Trifon Field	Gippsland	Petro Tech Pty. Ltd.	**50.00%**	50.00%
PEP 158	Gippsland	Petro Tech Pty. Ltd.	**100.00%**	100.00%
PEP 166	Gippsland	Petro Tech Pty. Ltd	**100.00%**	75.00%
EP 142	Pedrika/Simpson	Poolawanna Petroleum P/L	**-**	100.00%
PEP 33850	New Zealand	Lakes Oil N.L.	**-**	100.00%
Eagle Prospect	California USA	Lakes Oil, Inc.	**15.00%**	15.00%
ATP 560P (McIver)	Eromanga	Lakes Oil N.L.	**50.00%**	50.00%
ATP 560P (Ueleven)	Eromanga	Lakes Oil N.L.	**25.00%**	25.00%

The principal activity of each of the joint ventures listed above is the evaluation and exploration of oil and gas prospects.

Note 25: Business Combinations

There were no new business combinations effected in the financial year 2008/2009.

Note 26: Investments in Associates

Greenearth Energy Ltd. ceased being an associated Company in the 2008/09 financial year.

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	**2009**	2008
	$	$	$	$
Investment in associate	-	-	-	-

(a) Interest in Associate	BALANCE DATE	Ownership Interest held by consolidated entity	
		2009	2008
		%	%
Greenearth Energy Limited	30 June 2008		17.47%

	CONSOLIDATED		PARENT ENTITY	
	2009	2008	**2009**	2008
	$	$	$	$
(i) Principal activity Greenearth Energy Limited's principal activity is geothermal exploration. The exploration commitments relating to the investments in associates are				
(ii) Share of associate's balance sheet				
Current assets	-	-	-	-
Non-current assets	-	-	-	-
	-	-	-	-
Current liabilities	-	-	-	-
Non current liabilities	-	-	-	-
Net assets	-	-	-	-
(iii) Share of associate's loss				
Loss before income tax	-	-	-	-
Income tax expense	-	-	-	-
Loss after income tax	-	-	-	-
(iv) Carrying amount of investment in associates				
Balance at beginning of the year	-	206,656	-	206,656
New investment during the financial year	-	-	-	-
Write back of share of associates net (loss) for the financial year.	-	43,334	-	43,334
Ceasing of investment in associate	-	(250,000)	-	(250,000)
Balance at the end of year	-	-	-	-

Directors' Declaration

The directors declare that the financial statements and notes set out on pages 25 to 51 are in accordance with the Corporations Act 2001:

(a) complying with Accounting Standards and *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and

(b) Give a true and fair view of the financial position of the company and the consolidated entity as at 30 June 2009 and of their performance as represented by the results of their operations, changes in equity and their cash flows, for the year ended on that date.

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

This declaration has been made after receiving the declarations required to be made by the chief executive officer and chief financial officer to the directors in accordance with sections 295A of the Corporations Act 2001 for the financial year ending 30 June 2009.

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

ROBERT J. ANNELLS
Chairman

Signed at Melbourne, Victoria
30 September 2009

PITCHER PARTNERS
An independent Victorian Partnership
ABN 27 975 255 196

LAKES OIL N.L.
ABN 62 004 247 214
AND CONTROLLED ENTITIES
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
LAKES OIL N.L

We have audited the accompanying financial report of Lakes Oil N.L. and controlled entities. The financial report comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and statement of cash flow for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Director's Responsibility for the Financial Report
The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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.

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility
Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement in the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

Auditor's Opinion

In our opinion,

(a) the financial report of Lakes Oil N.L. is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 21 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the Remuneration Report of Lakes Oil N.L. and controlled entities for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

M W PRINGLE
30 September 2009

PITCHER PARTNERS
Melbourne

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Melbourne | Sydney | Perth | Adelaide | Brisbane
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ASX Supplementary Information

The following information is provided pursuant to Australian Stock Exchange Limited ("ASX") Listing Rule 4.10.

Substantial Shareholders

There is no shareholder with 5% or more of the issued capital.

Shareholder Distribution

The issued capital of the company comprised

(α) fully paid ordinary shares

(β) 46,500,000 "Directors, Staff and external Consultants" options which entitle the holder to acquire one fully paid ordinary share in the capital of the company at 5 cents per share at any time up to, and including, 17 November 2009 subject to certain terms and conditions.

(c) 26,400,000 "Directors, Staff and external Consultants" options which entitle the holder to acquire one fully paid ordinary share in the capital of the company at 7.14 cents per share at any time up to, and including, 17 November 2009 subject to certain terms and conditions.

(χ) 9,850,000 "Staff and external Consultants" options which entitle the holder to acquire one fully paid ordinary share in the capital of the company at 3 cents per share at any time up to, and including 17 November 2009 subject to certain terms and conditions.

(d) 9,850,000 "Staff and external Consultants" options which entitle the holder to acquire one fully paid ordinary share in the capital of the company at 1.5 cents per share at any time up to, and including 17 November 2009 subject to certain terms and conditions.

Distribution of Ordinary Shares

The company's Register of Shareholders at 31 August 2009 disclosed a total of 11,688 shareholders. The distribution of these shareholdings is tabled below.

Category of shareholders	Number of shareholders	Number of shares held	Percentage of total
1 - 1,000	308	103,442	0.00
1,001 - 5,000	239	784,067	0.02
5,001 - 10,000	455	4,009,070	0.09
10,001 - 100,000	4,942	258,548,366	5.79
100,001 - and over	5,744	4,198,650,441	94.10
	11,688	4,462,095,386	100.00

The number of shareholders that held less than a "marketable parcel" of shares (being 41,667 shares) was 3,128. These shareholders held a total of 57,227,454 fully paid ordinary shares in the company as at that date, representing approximately 1.3% of the total issued share capital of the company as at that date.

Voting Rights

Subject to the rights or restrictions attached to any shares, on a show of hands every Member present at a general meeting in person or by proxy or attorney or by his or her duly appointed representative shall have one vote.

Quotation of Securities

The company's fully paid ordinary shares are included on the Official List of the Australian Stock Exchange Limited (code: LKO).

Twenty Largest Shareholders

Rank	Shareholder	Shares held	Percentage of capital
1	Jarden Custodians Ltd	57,700,000	1.07
2	Encounter Bay Pty Ltd	51,250,000	0.95
3	Mrs Melanie Maree Herpen	37,796,666	0.70
4	Sutton Nominees Pty Ltd <W M Gatacre Family Fund A/C>	37,500,000	0.70
5	PBL Investments Pty Ltd <Peter Begg Lawrence S/F A/C>	32,500,000	0.60
6	Escor Investments Pty Ltd <Escor Invest Mid-Cap A/C>	31,487,500	0.58
7	Micallef Plumbing Industries Pty Ltd	28,224,289	0.52
8	Advance Publicity Pty Ltd <The Ixmar Family A/C>	26,000,000	0.48
9	Citicorp Nominees Pty Ltd	25,671,993	0.48
10	ANZ Nominees Limited <Cash Income A/C>	23,927,130	0.44
11	Mr Robert John Annells <RJ Annells Super Fund>	23,750,000	0.44
12	Mr Jerry Hui Kang Gao	23,500,000	0.44
13	Dunluce Superfund Pty Ltd <Dunluce Private S/F A/C>	21,968,056	0.41
14	Mr Stephen Kasa	20,000,000	0.37
15	Penleigh Banner Pty Ltd <The Purse Super Fund A/C>	20,000,000	0.37
16	Mr Marek Jan Wojt	20,000,000	0.37
17	Mr Robert Mark Moulton	18,000,000	0.33
18	T Penny Superannuation Fund Pty Ltd <T Penny Super Fund A/C>	17,833,924	0.33
19	Mr Maxwell Farr <L R F Super Fund A/C>	16,809,519	0.31
20	Mr Ralph Peter De Pasquale = Mrs Angela Marian De Pasquale <The Raffaele Super Fund A/C>	15,000,000	0.28
		548,919,077	10.18

Permit Information

At 28 September 2009, the petroleum permits in which the Lakes Oil Group had an interest are as follows:

Joint Venture Permit name	Location (basin name)	Registered holder	Group interest 2009	Group interest 2008
PEP 163	Otway	Mirboo Ridge Pty Ltd	**100.00%**	100.00%
PEP 164	Otway	Mirboo Ridge Pty Ltd	**100.00%**	100.00%
PEP 169	Otway	Mirboo Ridge Pty Ltd	**100.00%**	100.00%
PRL 2	Gippsland	Petro Tech Pty. Ltd.	**100.00%**	100.00%
PRL 3 – Overall Permit	Gippsland	Petro Tech Pty. Ltd.	**100.00%**	100.00%
PRL 3 – Trifon Field	Gippsland	Petro Tech Pty. Ltd.	**50.00%**	50.00%
PEP 158	Gippsland	Petro Tech Pty. Ltd.	**100.00%**	100.00%
PEP 166	Gippsland	Petro Tech Pty. Ltd	**100.00%**	75.00%
EP 142	Pedrika/Simpson	Poolawanna Petroleum P/L	-	100.00%
PEP 33850	New Zealand	Lakes Oil N.L.	-	100.00%
Eagle Prospect	California USA	Lakes Oil, Inc.	-	15.00%
ATP 560P (McIver)	Eromanga	Lakes Oil N.L	**50.00%**	50.00%
ATP 560P (Ueleven)	Eromanga	Lakes Oil N.L.	**25.00%**	25.00%

The Board of Directors of Lakes Oil N.L. is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

Lakes Oil N.L's corporate governance principles and policies are structured with reference to the Corporate Governance Council's best practice recommendations, which are as follows:

1. Lay solid foundations for management and oversight.
2. Structure the board to add value.
3. Promote ethical and responsible decision making.
4. Safeguard integrity in financial reporting.
5. Make timely and balanced disclosure.
6. Respect the rights of shareholders.
7. Recognise and manage risk.
8. Remunerate fairly and responsibly.

1. Lay Solid Foundations for Management and Oversight

The Board's responsibilities include development of strategy, oversight of management, risk management and compliance systems, and monitoring performance. The Board has established certain policies and protocols in relation to the Company's operations, some of which are summarised below.

It is the responsibility of management to administer the company in accordance with the directions and policies of the Board and within the powers delegated by the Board. The functions of each senior executive are delegated in his or her letter of appointment and changes are advised by the Chairman as delegated by the Board. The details of these functions are not publicly available.

The responsibilities of the Board are set out in the Board Charter which can be viewed on the company's website.

Appointment and induction of senior executives is carried out in a manner appropriate to the size of the company. Performance is monitored and appraised on a continuous basis.

2. Structure the Board to Add Value

The Board comprises an Executive Chairman and three non-executive directors whose qualifications and experience are set out in the Directors Report.

Corporate Governance Council Recommendation 2.1 requires a majority of the Board to be independent directors. Recommendation 2.2 requires the Chairperson to be independent and Recommendation 2.3 requires the role of Chairperson and CEO should not be exercised by the same person. This company has found that the role of Chairperson and CEO continues to work very well for this company.

The three non-executive directors, Mr Barney Berold, Mr. Peter B. Lawrence and Mr James H Y Syme are all considered to be independent having regard to the definition of Independent Director as set out in the ASX Governance Principles. Mr. Robert J. Annells is the Executive Chairman and is not considered to be independent. A description of the qualifications and experience of each director is set out in the Directors' Report.

Whilst not all recommendations are complied with because of the Company's size and cost considerations, the Board has an appropriate level of industry experience and business skills.

The company has no formal performance evaluation procedure for the Board. The informal, ongoing self evaluation by the Board is appropriate to its size.

The functions of a nomination committee are carried out by the full Board, therefore a separate nomination committee has not been formed. New Directors are recruited according to the company's needs from time to time. The company has no formal policy in regard to nomination of new Directors. Re-election of Directors is done in accordance with the Listing Rules and the company's Constitution.

Whenever necessary, individual members of the Board may seek independent professional advice at the expense of the Company in relation to fulfilling their duties as directors.

Directors acknowledge the need to act in good faith in the interests of all shareholders.

3. Promote Ethical and Responsible Decision-making

Directors, management and staff are expected to act ethically and responsibly and in accordance with the company's Code of Conduct. All Board members are qualified professionals within their respective industries and accordingly conduct themselves in a professional and ethical manner in both their normal commercial activities and the discharge of their responsibilities as directors.

The Company has a policy concerning trading in the Company's securities by Directors, management and staff. Trading in the Company's shares by Directors, Executives and Staff of the Company should only occur in circumstances where the market is considered to be fully informed of the Company's activities. This policy requires that Directors, Executives and Staff discuss their intention to trade in the Company's shares with the Executive Chairman of the Company prior to trading. The Board recognises that it is the individual responsibility of each Director and employee to carry this policy through.

The Company's Code of Conduct and Share Trading Policy, which are in accordance with the ASX Corporate Governance Principles may be viewed on the Company's website.

Lakes Oil N.L. recognises the need to understand the cultural and spiritual significance to the community of the area in which it is licensed to operate.

Lakes Oil N.L. will work closely with relevant community groups and people to identify significant cultural and heritage sites and any impact the Company's activities may have on them.

Lakes Oil N.L. is committed to protecting the environment and safeguarding public and employee health in all aspects of its operations. Environmental protection and safe conduct are the responsibility of Lakes Oil N.L., its employees, its alliance partners and suppliers of goods and services.

Specifically, Lakes Oil N.L. will:

- minimise environmental impact;
- ensure that employees, partners, suppliers and the public are made fully aware of Lakes Oil N.L.'s responsibility for the effect of its operations on the environment;
- ensure adequate management systems and procedures are in place to manage and mitigate the risks to the environment from Lakes Oil N.L.'s operations; and
- commit to continual improvement in environmental management performance.

Lakes Oil N.L.'s business ethos is to operate in a manner which addresses three fundamental principles to achieve balanced outcomes. These fundamental principles are:

- social acceptability
- economic viability; and
- environmental responsibility.

Lakes Oil N.L. is committed to meeting these objectives, to monitoring the meeting of these objectives and to amending its approach if it proves to be inadequate in complying with its stated intentions and plans. In addition, Lakes Oil N.L. is committed to the public dissemination of this information.

4. Safeguard Integrity in Financial Reporting

Recommendation 4.1 requires the CEO and CFO to sign a certificate regarding the financial reports giving a true and fair view and are in accordance with accounting standards. The Executive Chairman Mr. Robert Annells and the acting Chief Financial Officer Mrs. Vicki Kahanoff have certified that the financial reports give a true and fair view and are in accordance with accounting standards.

The Board has established an Audit and Compliance Committee consisting of Mr Peter B Lawrence BCom, MBA, FCPA (Chairman), Mr Barney I Berold BCom MBA and Mr James H Y Syme LLB, all of whom are non-executive Directors. The number of meetings attended by each member is set out in the Directors' Report.

The Audit Committee works under an Audit Committee Charter which can be viewed on the company's website.

It is the Board's responsibility to ensure that an effective internal control framework exists to examine the effectiveness and efficiency of significant business processes such as the safeguarding of assets, the maintenance of proper accounting records and the integrity of financial information, the implementation of quality assurance practices and procedures and ensuring compliance with environmental regulations. The Board continues to hold the responsibility for the establishment and maintenance of a framework of internal control mechanisms for the management of the Company.

At regular occasions the Board conducts:

- the review of accounting policies;
- the detailed review of the Company's annual, half yearly and quarterly financial reports;the effectiveness of accounting and internal control systems;
- addressing the findings of the external auditors;
- the assessment of the scope, quality and cost of the external audit;
- identifying areas of operation, regulatory and legal risk and procedures to ensure those risks are effectively managed; and
- ensuring that the auditors retain their independence and that the audit partner is changed periodically.
- ensuring that conflicts of interest do not arise from services provided by the Company's external advisors.

5. Make Timely and Balanced Disclosure

The Board and Senior Management are aware of the Continuous Disclosure requirements of the ASX and have procedures in place to disclose any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. The company's Disclosure Policy can be viewed on the company's web-site.

Lakes Oil N.L. recognises that it has a legal and moral obligation to immediately disclose to the market any information that a reasonable person would expect to have a material effect on the price or value of the Company's securities.

The directors and senior management personnel of Lakes Oil N.L. acknowledge that they each have an obligation to identify and immediately disclose information that may be regarded as material to the price or value of the Company's securities.

The Chairman is authorised to make statements and representations on Lakes Oil N.L.'s behalf. The Company Secretary is responsible for overseeing and coordinating the disclosure of information to the ASX, analysts, stockbrokers, shareholders, the media and the public. The Secretary must inform the Directors, senior management and employees of Lakes Oil N.L.'s continuous disclosure obligations on a quarterly basis.

The Directors and senior management personnel must ensure that the Secretary is aware of all information to be presented at briefings with analysts, stockbrokers, the media and the public. Prior to being presented, information that has not already been the subject of disclosure to the market and is not generally available to the market must be the subject of disclosure to the ASX. Only when confirmation of receipt of the disclosure and release to the market by the ASX is received and after the information is posted on the Company's website may the information be presented.

If information that would otherwise be disclosed comprises matters of supposition or is insufficiently definite to warrant disclosure, or if the effect of a disclosure on the value or price of the Company's securities is unknown, Lakes Oil N.L. may request that the ASX grant a trading halt or suspend it's securities from quotation. Management of Lakes Oil N.L. may consult the Company's external professional advisers and the ASX in relation to whether a trading halt or suspension is required.

6. Respect the Rights of Shareholders

The Board aims to ensure in accordance with the Recommendation 6.1 that all shareholders are informed of major developments affecting the affairs of the Company. Information is communicated to the shareholders through the annual, half year, quarterly reports, disclosures made to the ASX, notices of meetings and occasional letters to shareholders where appropriate.

The company maintains a website on which is placed company announcements, the Annual Report and company policies. The company's Communications Policy is within the Disclosure Policy which can be accessed on the company's website.

The auditor is invited to the Annual General Meeting for the purpose of answering shareholders' questions.

7. Recognise and Manage Risk

The Board has responsibility for managing risk and internal control and acknowledges that risk management is a core principle of sound Corporate Governance. The financial viability, reputation and future of the company are materially dependent on the manner in which risk is managed.

The Board's strategy covers the areas of Financial Risk, Operational Risk, Insurance and Internal Control. The company has not appointed a Risk Management Committee due to the importance the Board places on risk mitigation. In addition, the small size of the Board makes it appropriate for the full board to manage this area.

Financial Risk

The Board receives regular financial reports which measure performance and trends against budget. The reports are discussed at Board Meetings and the Chief Financial Officer answers questions posed by the Directors. Any variations from budget are highlighted, explained and evaluated. This scrutiny is appropriate to a company of the size of Lakes Oil NL. In addition to monthly financial reporting, the company has in place policies to manage credit, foreign exchange and other business risks. Non-executive Directors meet at appropriate times with the external auditor in order to fulfil the Audit Committee Charter. This Charter may be viewed on the company's website.

Operational Reporting

Projects are approved only after extensive review by a highly qualified technical staff and detailed submissions to the Board through the Chairman. The operations of the company consist of a search for oil and gas and projects are only considered after a review and evaluation of all technical data on record. Outside consultants are engaged as required to enhance the chances of success. Environmental considerations are factors in the consideration of every new project and are fully evaluated and reported before approval by the Board.

Insurance

The Board recognises the value of insurance as a risk mitigation strategy and works with a leading insurance broker to ensure that appropriate insurance cover is in place at all times. Contracts with contractors are drawn up or reviewed by solicitors prior to the company entering into any commitment.

Internal Control and Audit

In a small company, an extensive internal control system is not possible, however there is a natural control as a consequence of being small. The Board works very closely with the staff and, because the transactional volume is small, the Directors have a detailed knowledge of the working of the company. It is considered that an internal audit function is therefore not appropriate at this time. The Directors believe the system of internal control is appropriate to the size of the company and to its level of potential risk.

Declaration by the Chairman and Chief Financial Officer

Both the Chairman and Chief Financial Officer sign the following declaration in the presence of the Board prior to the Board accepting the Financial Results each year:

- in accordance with the Corporations Act 2001 section 295A, I declare that to the best of my knowledge and belief:
- the financial records of the disclosing entity for the financial year have been properly maintained in accordance with section 286; and
- the financial statements, and the notes for the financial year comply with the accounting standards; and
- the financial statements and notes for the financial year give a true and fair view; and
- any other matters that are prescribed by the regulations for the purposes of this declaration in relation to the financial statements and the notes for the financial year are also satisfied.

Also in accordance with the ASX Corporate Governance Council Best Practice Recommendations 4.1 and 7.2, to the best of my knowledge and belief, and in my opinion:

i the financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards; and

ii the statement in (i) above concerning the integrity of financial statements is founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the board; and

iii the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Signed by the Chairman and Chief Financial Officer

The Board has procedures in place to recognise and manage risk in accordance with Recommendation 7.1. Monthly reporting of financial performance is in place as are policies to manage credit, foreign exchange and other business risks.

The Board has delegated to the Chairman and Chief Financial Officer such matters as the Company's liquidity, currency, interest rate and credit policies and exposures.

8. Remunerate fairly and responsibly.

The Company has not established a Remuneration and Benefits Committee or a Governance Committee.

The Board is responsible for determining and reviewing the remuneration of the directors the Executive Chairman, Executive Officers and other employees of the company. This process requires consideration of the levels and form of remuneration appropriate to securing, motivating and retaining employees with the skills to manage the Company's operations. The Board reviews the remuneration of officers and employees of the Company. In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the Board seeks the advice of external advisers in connection with the structure of remuneration packages.

The Board also reviews the levels and form of remuneration for non executive directors with reference to performance, relevant comparative remuneration and independent expert advice. The total sum of remuneration payable to non executive directors shall not exceed the sum fixed by members of the Company in general meeting.

The Board reviews the composition of the Board on a regular basis to ensure that the Board has the appropriate mix of expertise and experience.

It is the Company's objective to provide maximum shareholder benefit from the retention of high quality Board members and Executives. Directors and Executives are remunerated with reference to market rates for comparable positions. Details of the remuneration of specified directors and executives are contained in the Directors report.

Termination payments are not agreed in advance. In the event of a termination, the company complies with all appropriate legal requirements and company policy precludes any payment in the event of removal for misconduct.

No formal evaluation of the performance of the Board is conducted. The Board, being a small active Board is in a position to view its performance on a constant basis. Similarly, key executives are well known to the Board and constant contact with them forms a constant performance review.

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