LAKES OIL N.L.
(A.C.N. 004 247 214)

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The Manager – Company Announcements Office
Australian Stock Exchange Limited
Level 45, South Tower
Rialto
525 Collins Street
MELBOURNE VIC 3000

Dear Sir,

INTERNATIONAL OIL/GAS GROUP TO OBTAIN INTEREST IN LAKES OIL'S GIPPSLAND ONSHORE PERMITS

Up to $40 million (US$30 million) to be spent in Victorian properties including $4 million (US$3 million) capital injection into Lakes Oil

Lakes Oil N.L. (Lakes Oil, ASX listing code "LKO"), based in Melbourne, announces that Lakes and PetroHunter Energy Corporation of Denver, Colorado ("PetroHunter Energy") have entered into an agreement under which they will jointly develop Lakes Oil's on-shore petroleum prospects (focusing on unconventional gas resources) in the Gippsland and Otway basins in Victoria, Australia.

The arrangement is subject to various conditions precedent, including completion of satisfactory due diligence, and the satisfactory processing of retention lease applications in respect of PEP 157 and PEP 158.

- PetroHunter Energy Corporation, a public US company whose shares are traded in the US, and its subsidiary Sweetpea Petroleum Pty. Ltd. ("Sweetpea"), are part of a group of companies headed by Marc Bruner. These companies have exploration activities in the USA, Europe and the Beetaloo Basin in Northern Territory, Australia.

- The group is committed to acquiring and developing unconventional oil and gas prospects worldwide, and has at its disposal a select number of experts who are amongst the world leaders in the extraction of oil and gas from unconventional reservoirs.

- Under the arrangements, PetroHunter Energy or its subsidiary company Sweetpea will initially farm into 33⅓% of Lakes Oil's permits by spending $9.3 million (US$7 million) in Lakes Oil's permits. In addition, PetroHunter Energy will subscribe for $4,000,000 (US$3 million) in new shares in Lakes Oil at 1.5 cents.

- PetroHunter Energy will also have the right to increase its position in Lakes Oil's permits with two further 16⅔% farm-in tranches of $13.3 million (US$10 million) each, exercisable within 12 months and 24 months respectively.

- The agreement provides that PetroHunter has the right to participate in the same proportion in any permits which are non-contiguous to existing permits acquired by Lakes within 2 years, and any contiguous permits acquired by Lakes moving forward, and PetroHunter has a first right of refusal in other permits acquired by Lakes within 5 years

- PetroHunter Energy is to assume Lakes Oil's position as operator of the permits where relevant, and will be invited to nominate a representative to the Lakes Oil Board.

Rob Annells, Chairman of Lakes Oil, stated, "We are delighted to welcome Mr. Marc Bruner and his team to Victoria. I believe their worldwide expertise in unconventional reservoirs and tight gas in particular is second to none, and this will help Lakes Oil move our onshore Gippsland permits from exploration to production."

Lakes Oil believes that the onshore Gippsland permits will become a valuable new asset for Victoria, strategically placed for new industry and low emission power generation.

Yours faithfully
LAKES OIL N.L.

ROBERT J. ANNELLS
Chairman

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