LAKES OIL N.L.

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6 February 2007

Dear Shareholder,

LAKES OIL LAUNCHES FOUR WELL PROGRAMME

HIGHLIGHTS

- **4 Wells to be drilled first half of this year** – to commence this week.

  They are:
  - Hazelwood-1
  - Boola Boola-2
  - Napier High-1
  - Alberton-1

- Retention leases in PEP 157 and 155 expected to be granted within the next few weeks allowing us to begin further assessment, which will move us towards commercialisation of the Wombat field.

- PetroHunter Energy Corporation due diligence to be finalised early next month with the first tranche of US$10 million is expected to be contributed shortly thereafter.

- Share Purchase Plan – restricted to $1,400 per share holder to be made at a discount share price of 1.5 cents per share (market price 1.8 cents). This is the same discount price at which PetroHunter will subscribe US$3 million into new stock in Lakes Oil.

- Fracture of wells already drilled and awaiting stimulation including Wombat, Boundary Creek and Loy Yang.

Lakes Oil N.L. is on the threshold of an important new push to prove up commercial oil and gas reserves in the onshore Gippsland Basin in eastern Victoria.

With the finalisation of our Farm-in Agreements with PetroHunter Energy Corporation of Denver, Colorado due to be completed March and the expectation that the Retention Leases will be granted over portions of PEP's 157 & 155 shortly, Lakes Oil is planning an active program for 2007.

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Work has already begun by building a drilling pad on the Hazelwood-1 well site. This will be followed by drilling pad construction at Boola Boola-2, Napier High-1 and Alberton-1. A small rig is due to arrive at the Hazelwood-1 site to begin drilling the "top hole" (first 500 metres) about 5 February. After that it will move to the Alberton-1 location where drilling is expected to begin early March.

Hazelwood-1 well will then be drilled by a Century rig which is due to arrive on site late March 2007. It is expected that the well will take approximately 3-4 weeks to drill with a programmed depth of 2,500 metres. The well is designed to test the Strzelecki Formation present on the "Hazelwood Dome", for tight gas. **It is located next to the Hazelwood Power Station.**

Importantly, it is intended to drill to the "Rintouls Sandstone" located below the Strzelecki. Directors believe that this formation is a potential oil target.

When the Hazelwood-1 and Alberton-1 wells are completed a decision will be made on the type of rig to be used to drill the Boola Boola-2 and Napier High-1 wells.

With our new hi-tech joint venture partner, PetroHunter, we will crank up our fracture stimulation tests during the second half of the year. This program will stimulate the planned new wells in addition to those that have already been drilled and are cased. They are Loy Yang-2, Boundary Creek-2 and the re-worked Trifon-2 and the Wombat wells. Artificial fractures are already in place in the Wombat wells but will be increased with fracture stimulation of new zones.

We are entering an exciting time for Lakes Oil, and we are hopeful that by the end of the year we will have moved a long way to having proved commercialisation of these wells. This will allow for final feasibility and projected cash flows to be established.

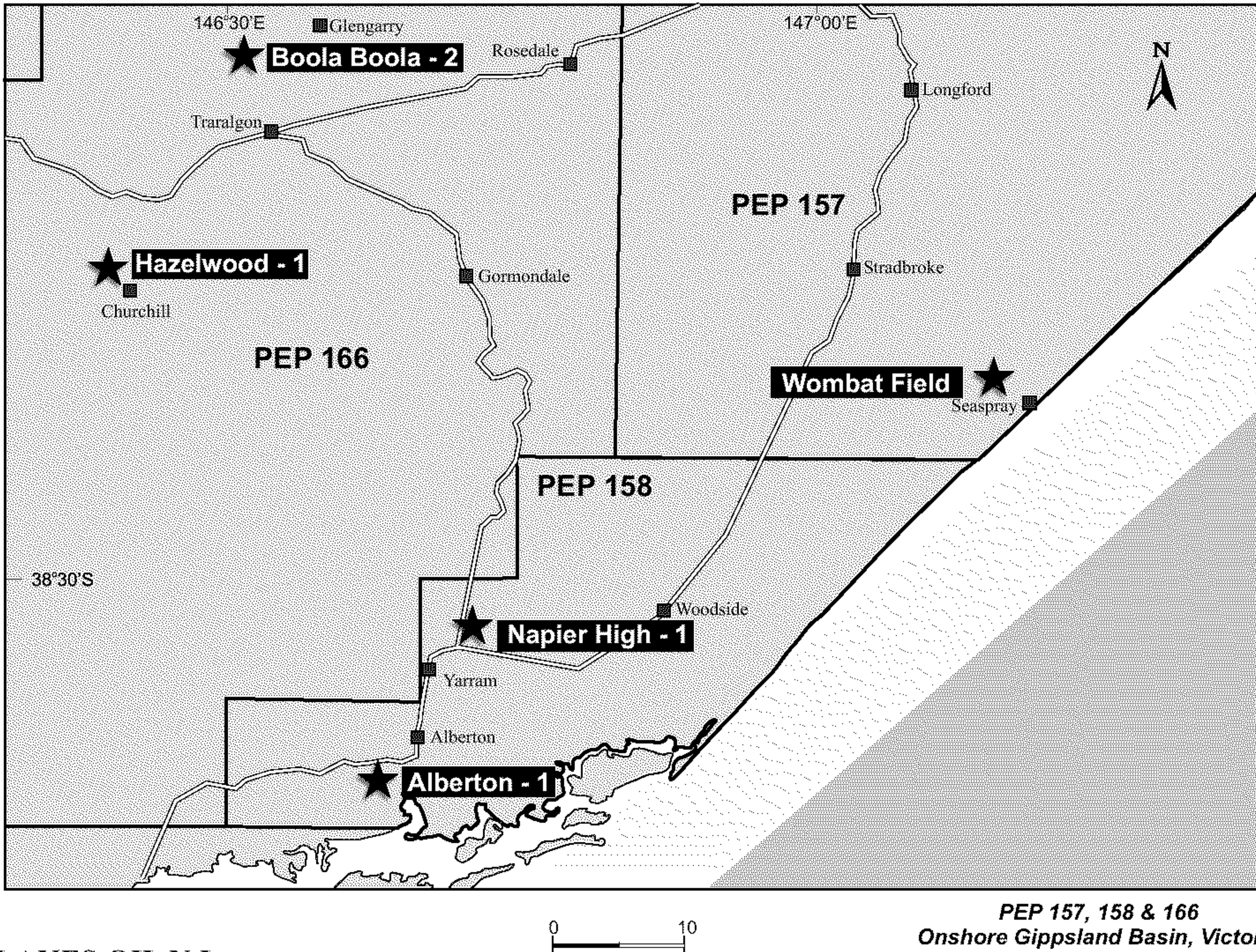
PetroHunter brings international experience in similar unconventional reservoirs, and their assistance will be invaluable for our activities.

As already reported US$3 million of this first US$10 million will go into Lakes Oil as a share placement at 1.5 cents per share. The balance of US$7 million will be used to fund the Joint Venture.

Lakes Oil has decided to allow shareholders to subscribe a limited amount of $1,400 at the same price of 1.5 cents per share (a considerable discount to the current market) by way of a Shareholder Share Purchase Plan. This issue will be restricted to a maximum of $5 million and will be allocated on a first in basis. Documentation will be forwarded shortly.

Yours sincerely
LAKES OIL N.L.

ROBERT J. ANNELLS
Chairman



LAKES OIL N.L.

PEP 157, 158 & 166
Onshore Gippsland Basin, Victoria
UPCOMING WELL LOCATIONS