



LAKES OIL N.L.

(A.C.N. 004 247 214)

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2 July 2007

The Manager - Companies
Australian Stock Exchange Limited
Level 45, South Tower
Rialto
525 Collins Street
MELBOURNE VIC 3000

Dear Sir,

BOOLA BOOLA-2 (PEP 166) AND ALBERTON -1 (PEP 158) ONSHORE GIPPSLAND BASIN, VICTORIA

At 6am this morning Boola Boola 2 had reached a depth of 1,887m.

Drilling has been terminated due to the drilling string becoming stuck. Unfortunately the mud pumps ran out of fuel, which prevented proper circulation of drilling mud for several hours. It is believed this loss of circulation seriously contributed to the drill becoming stuck.

We have now severed the lower section of the drilling "string" enabling logs to be run and side wall cores to be cut. These results will be extremely important for Lakes Oil N.L. and its associate Greenerth Energy Limited who hold the Geothermal lease covering the area. Greenerth Energy have agreed to carry some of the deepening costs below 1,500m.

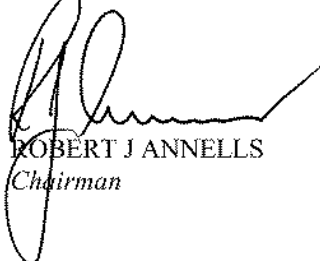
After a series of heat measurements are to be taken, the well will be left so that at a later date either Lakes Oil N.L. or Greenerth Energy Limited can potentially re-enter the well and divert around the blocked area. This would allow either Lakes or Greenerth to reach the targets which had been our objective before this unfortunate situation occurred.

By the drilling of the Hazelwood 2 well and Boola Boola 2 Lakes has now earned an additional 25% equity in the permit taking its interest to 75% and reducing our joint venture partners, AusAm Resources interest to 25%.

Lakes will now release the Century Rig 11 and will move to the drilling of Alberton 1 (PEP 158) using Drilltec's rig.

This well is expected to begin late this week or early next week. The Alberton well is designed to follow up core holes drilled in the 1980's by the SECV which were designed to investigate the coal potential of the area. Near the Alberton Township they encountered laminated claystones similar to low grade oil shales. This well will test those claystones, as well as its primary target the Strezlecki formation.

Yours faithfully
LAKES OIL N.L.



ROBERT J ANNELLS
Chairman

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