



A.C.N. 004 247 214

**Lakes Oil N.L.**

[www.lakesoil.com.au](http://www.lakesoil.com.au)

# Quarterly Activities Report

For the three months ended  
30 September 2008

Registered Office:  
Level 14,  
500 Collins Street  
Melbourne Vic 3000  
Ph: +61 3 9629 1566  
Fax: +61 3 9629 1624





## CORPORATE INFORMATION

### **Directors**

Robert J. Annells CPA, F.Fin (*Executive Chairman*)  
Barney I Berold BCom, MBA  
Peter B. Lawrence BCom, MBA, FCPA  
James H. Y. Syme LLB

### **Company Secretary**

Raymond E South FCA, FCIS, FCPA

### **Chief Financial Officer**

Vicki Kahanoff BBus CPA

### **Registered Office**

Level 11  
500 Collins Street  
Melbourne Victoria 3000

**Telephone:** (03) 9629 1566

**Facsimile:** (03) 9629 1624

### **Stock Exchange**

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

### **Auditors**

Pitcher Partners  
Level 19 15 William Street  
Melbourne Victoria 3000

### **Bankers**

Westpac Banking Corporation  
360 Collins Street  
Melbourne Victoria 3000

### **Technical Staff and Consultants**

Ingrid Campbell RMIT (Geol), MPESA, MGSA  
Xiaowen Sun BSc (Hons), MSc PhD MAAPG  
Guy Holdgate BSc (Hons), PhD  
Jim Macadam BSc P.Eng

### **Address for Correspondence**

P.O. Box 300  
Collins Street West  
Victoria 8007

**Email:** [lakes@lakesoil.com.au](mailto:lakes@lakesoil.com.au)

**Web site:** [www.lakesoil.com.au](http://www.lakesoil.com.au)

### **Legal Advisors**

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

### **Share Registry**

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

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



## CORPORATE DEVELOPMENTS

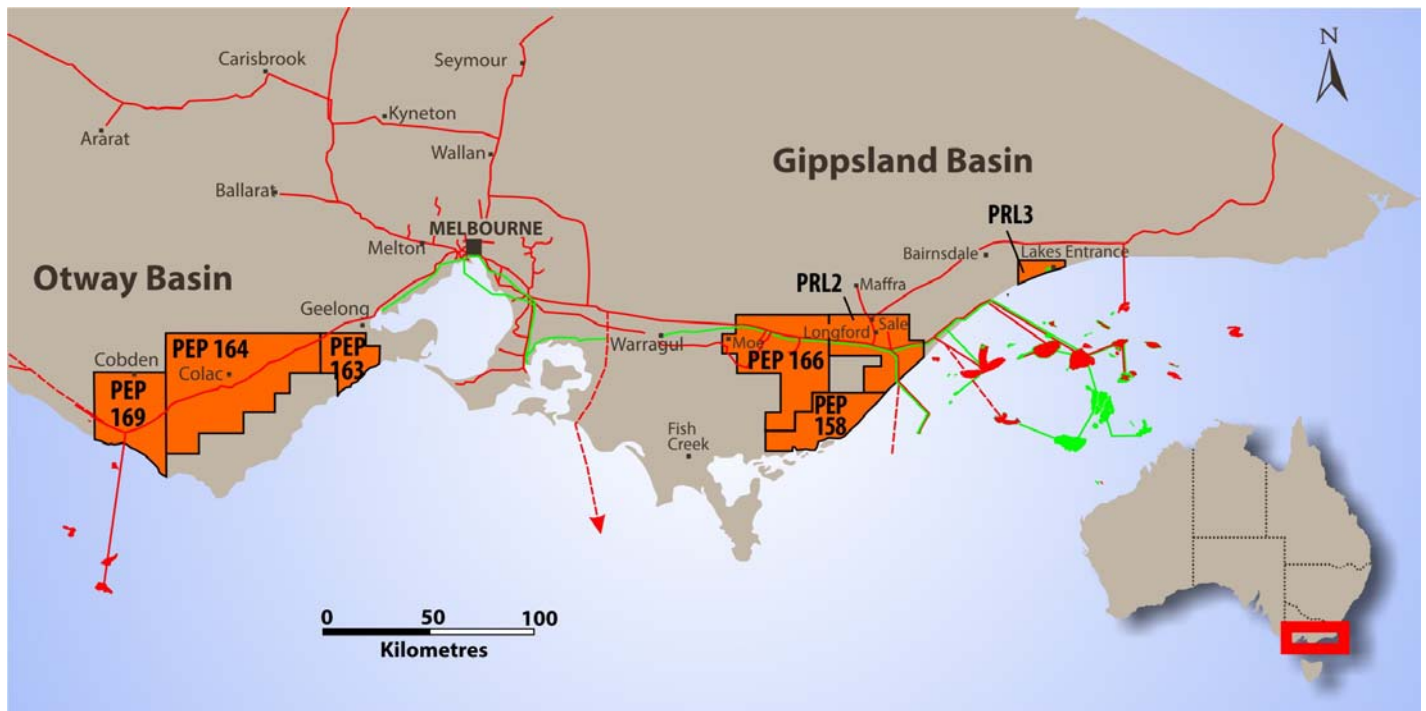
Lakes Oil announced at the end of July that it had signed a non-binding terms sheet with Cape Energy SA in respect of a potential business combination of the two companies.

This proposed merger of our assets would facilitate our building an onshore gas processing plant, initially to process the offshore Golden Beach gas, while we develop our onshore gas fields.

The strategic plan would be to use the Golden Beach reservoir, as it empties as storage for our onshore gas to enable us to have a high degree of flexibility to meet both future contractual requirements, as well as seasonal and short term demand fluctuations in a manner which would capture the periodic peak gas prices and maximises returns.

Due Diligence is being undertaken by both companies at the moment, with a full package of information to be assembled and an "Information Memorandum" to be sent to shareholders so they can make an informed decision at a yet to be called General Meeting called for the purpose to approve the transaction.

This is a most exciting project, which is still subject to finance. Our potential funder is still supportive despite the current economic situation. However, we are aware that given the financial and market situation at present, there is a strong possibility for delays in bringing this project to fruition, or even the possibility that it may not go ahead.





## EXPLORATION ACTIVITIES

### ONSHORE GIPPSLAND BASIN

#### RL 2 - Onshore Gippsland Basin

*(Lakes Oil Group, Operator: 100% interest)*

Evaluation of the Wombat 3D data has been completed and will enable us to locate Wombat 4 in its optimum position. Drilling of this well is planned for early 2009, depending on rig availability.

Lakes Oil received the results of two independent market evaluations of the Wombat Field. Gaffney, Cline & Associates were commissioned following Lakes Oil NL Wombat 3D seismic survey to provide a review on the Wombat Gas Field. Palliser Strategic Management and Langusch & Associates were also commissioned to provide an independent asset evaluation in PRL 2 based on implied values associated with preliminary commercialization plans for this underdeveloped unconventional gas resource.

The results of both these assessments have been announced and sent to shareholders. Copies of this correspondence can be accessed from the company's website. These two independent reports confirm our view the Wombat Gas Field is a highly prospective undeveloped unconventional gas resource contained in the Strzelecki Group

#### RL 3 - Onshore Gippsland Basin

*(Lakes Oil Group, Operator: 100% interest)*

The company intends drilling a shallow well near the oil shaft at Lakes Entrance in order to sample and evaluate fresh oil and rock samples from the reservoir sequence in the Lakes Entrance oil field. Further discussions are continuing with stakeholders in the Lakes Entrance area to discuss right of access to historic oil wells and the old shaft.

#### PEP 158 – Onshore, Victoria

*(Lakes Oil Group, Operator: 100% interest subject to 5% over-riding royalty)*

The Company submitted an application for a 15 year Retention Lease to the Department of Primary Industries over much of PEP 158 in the previous quarter and we are awaiting assessment of the application.

#### PEP 166 – Onshore, Victoria

*(Lakes Oil Group: 75% interest; Operator: Lakes Oil)*

Renewal of PEP 166 has been granted in the last few weeks. Term 2 of the permit has been granted for 5 years and required a 50 % relinquishment of the original area. We are now commencing the first year's work program for the new permit area.

### OFFSHORE GIPPSLAND BASIN

#### VIC/P47 (GILBERT BLOCK) - Offshore, Victoria

*(Lakes Oil Group: 26% interest; Operator: Bass Strait Oil Co)*

This permit was relinquished in good order during this period. In order to concentrate on our other Gippsland projects.

### ONSORE OTWAY BASIN VICTORIA

#### PEP 163 – Onshore, Victoria

*(Lakes Oil Group, Operator: 100% interest)*

The company is reviewing the first year work program and evaluating potential Lower Cretaceous tight gas prospects in the permit

#### PEP 164 – Onshore, Victoria

*(Lakes Oil Group, Operator: 100% interest)*

A six month extension to the permit was granted during this period to allow sufficient time for the drilling of the commitment well, Gellibrand 1. Continued planning for the proposed drilling of the selected drill site for Gellibrand 1 was undertaken. This well is planned for the next quarter, pending rig availability.

#### PEP 169 – Onshore, Victoria

*(Lakes Oil Group, Operator: 100% interest)*

Re-evaluation of the existing wells and 2D and 3D seismic data continued during this period. The primary objective in this block is to explore the Cretaceous rocks and to extend our tight gas concepts developed in the Gippsland Basin and apply these to exploration of the tight gas potential in the Lower Cretaceous Otway Group. In addition, our secondary objective is to explore for conventional structural plays in late Cretaceous



## EXPLORATION ACTIVITIES

reservoirs in the PEP169 that have been seismically defined.

The company believes that PEP169 contains significant potential for hydrocarbons, located as it is within and around the flanks of the Port Campbell Embayment and on the northern limit of the Shipwreck Trough, with successful testing in particular of the Late Cretaceous Waarre Formation.

### **EROMANGA BASIN - Queensland**

**ATP 560P – McIVOR BLOCK - Onshore, Queensland**  
(Lakes Oil Group: 50% interest; Operator: Victoria Petroleum N.L.)

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

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

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

**PEDIRKA BASIN - Northern Territory**  
(Lakes Oil Group: 100% interest, Operator)

### **EP 142**

Review of the geological and geophysical studies continued during this period with the objective of assessing the hydrocarbon potential and mapping of possible leads from the existing seismic and well coverage.

The EP 142 acreage contains a similar stratigraphic section to that observed in the Cooper and Eromanga Basins of South Australia and Queensland. The main reservoir and source rock units are contained in Permian, Jurassic and Triassic age successions.

Oil occurrences and shows have been recorded over the last two decades in several wells in and adjacent to this permit and hence add to the interest and potential of this acreage.

**NEW ZEALAND – North Island**  
(Lakes Oil Group: 100% interest, Operator)

### **PEP 38350**

Following the aeromagnetic survey conducted earlier in the year, gravity and magnetic modelling have been carried out to calculate the role of basement in the deformation of the folding, estimate depths to basement on the gravity highs and lows. The results confirm local basement highs are present below the positive gravity anomalies along the eastern shore of Lake Wairarapa that conform to the main NE-SW structural grain of the East Coast Basin. The aeromagnetic results suggest a considerable thickness of Cenozoic section in this area, although the magnetic contrast between the Cenozoic sediments and basement is insufficient to provide an exact depth to basement.

The company is preparing to acquire 2D seismic in the next half year over the area and to the south offshore to better map these structures.

### **ONSHORE USA – San Joaquin Basin California**

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

No further activity has occurred in the quarter.

**Signed on behalf of Lakes Oil N.L.**

**Ingrid Campbell**  
**Chief Geologist**  
**Dated 30 October 2008**

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

**LAKES OIL N.L.**

ABN

**62 004 247 214**

Quarter ended ("current quarter")

**30 SEPTEMBER 2008**

### Consolidated statement of cash flows

	Current quarter \$A '000	Year to date (3 months) \$A '000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for: (a) exploration and evaluation	<b>(577)</b>	<b>(577)</b>
(b) development	-	-
(c) production	-	-
(d) administration	<b>(549)</b>	<b>(549)</b>
(e) capital raising costs	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	<b>18</b>	<b>18</b>
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 (a) Net movement in GST suspense account	<b>(13)</b>	<b>(13)</b>
<b>Net operating cash flows</b>	<b>(1,121)</b>	<b>(1,121)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	<b>(66)</b>	<b>(66)</b>
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	<b>4,969</b>	<b>4,969</b>
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Debtors	<b>(8)</b>	<b>(8)</b>
<b>Net investing cash flows</b>	<b>4,895</b>	<b>4,895</b>
1.13 Total operating & investing cash flows (carried forward)	<b>3,774</b>	<b>3,774</b>

**Appendix 5B - Lakes Oil N.L. (LKO)**  
**Mining exploration entity quarterly report – 30 SEPTEMBER 2008**

	Current quarter \$A'000	Year to date (3 months) \$A'000
1.13 Total operating & investing cash flows (brought forward)	<b>3,774</b>	<b>3,774</b>
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of shares options, etc.	-	-
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Farm-in/Joint Venture contributions	-	-
<b>Net financing cash flows</b>	-	-
<b>Net increase (decrease) in cash held</b>	<b>3,774</b>	<b>3,774</b>
1.20 Cash at beginning of quarter/year to date	<b>3,694</b>	<b>3,694</b>
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	<b>7,468</b>	<b>7,468</b>

**Payments to Directors of the entity and associates of the Directors;  
Payments to related entities and associates of the related entities.**

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	<b>86</b>
1.24 Aggregate amount of loans to the parties included in item 1.10	-
1.25 Explanation necessary for an understanding of the transactions	
Directors fees : \$25,000 Consulting and professional fees paid to a Director-related entity: \$61,249	

**Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

**Appendix 5B - Lakes Oil N.L. (LKO)**  
**Mining exploration entity quarterly report – 30 SEPTEMBER 2008**

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements – Bank overdraft	-	-

**Estimated cash outflows for next quarter**

	\$ A'000
4.1 Exploration and evaluation	<b>500</b>
4.2 Development	-
<b>Total</b>	<b>500</b>

**Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$ A'000
5.1 Cash on hand and at bank (item 1.22)	<b>7,468</b>	<b>3,694</b>
5.2 Deposits at call	<b>130</b>	<b>121</b>
5.3 Bank overdraft	-	-
5.4 Investments in listed companies (market value)	<b>1,068</b>	<b>6,584</b>
<b>Total: cash at end of quarter</b>	<b>8,666</b>	<b>10,399</b>

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	Nil			
6.2 Interests in mining tenements acquired or increased	Nil			

**Appendix 5B - Lakes Oil N.L. (LKO)**  
**Mining exploration entity quarterly report – 30 SEPTEMBER 2008**

---

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Number issued	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>	-	-		
7.2 Changes during quarter	-	-		
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>+Ordinary securities</b>	4,262,095,386	4,262,095,386		
7.4 Changes during quarter				
(a) Increases through issues	NIL	NIL	-	-
(b) Decrease through returns of capital, buy-backs	NIL	NIL		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	-	-		
7.6 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through securities matured, converted	-	-		

**Appendix 5B - Lakes Oil N.L. (LKO)**  
**Mining exploration entity quarterly report – 30 SEPTEMBER 2008**

7.7 Options			<i>Exercise price</i>	<i>Expiry date</i>
<i>Directors</i>	19,500,000		7.14 cents	17 November 2009
	25,500,000	-	5 cents	17 November 2009
<i>Staff</i>	3,400,000		7.14 cents	17 November 2009
	12,350,000		3 cents	17 November 2009
	6,000,000		5 cents	17 November 2009
	11,850,000		1.5 cents	9 January 2013
<i>Third parties</i>	4,500,000		7.14 cents	17 November 2009
	19,500,000		5 cents	17 November 2009
	<u>500,000</u>		3 cents	17 November 2009
<b>TOTAL</b>	<b>103,100,000</b>			
7.8 Issued during the quarter	-	-	-	-
7.9 Exercised during the quarter	-	-	-	-
7.10 Expired during the quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <i>(totals only)</i>	-	-		

### Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 30 October 2008

*Company Secretary*

Print name:

**Raymond South**

### Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

**Appendix 5B - Lakes Oil N.L. (LKO)**  
**Mining exploration entity quarterly report – 30 SEPTEMBER 2008**

---

- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, AASB 1022; *Accounting for Extractive Industries* and AASB 1026: *Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complies with.

=====