



LAKEs OIL N.L.

A.C.N. 004 247 214

Quarterly Activities Report
and
Mining Exploration Entity Quarterly Report
for the three months ended
31 December 2003

CORPORATE DIRECTORY

Directors

Robert J. Annells CPA, ASIA
(Executive Chairman)
Peter C. Dunn BE, FAusIMM, FSIA
Peter B. Lawrence BCom, MBA, FCPA

Company Secretary & Chief Financial Officer

Robert E. Love FCA, FCIS

Technical Consultants

Jack N. Mulready BSc, Fell. Dip. (Mgmt.) RMIT
Roger A. Meaney BSc (Hons), MSEG
Eric A. Webb BSc, MAAPG, FAusIMM
Greg J. Blackburn BSc(Hons), PhD

Registered Office

Level 11
500 Collins Street
Melbourne Victoria 3000

Telephone: (03) 9629 1566
Facsimile: (03) 9629 1624

Address for Correspondence

P.O. Box 300
Collins Street West
Melbourne Victoria 8007

e-mail: lakes@lakesoil.com.au
Web site: www.lakesoil.com.au

Stock Exchange

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

Legal Advisors

Corrs Chambers Westgarth
Bourke Place, Level 6
600 Bourke Street,
Melbourne, Victoria 3000

Auditors

Ernst & Young
Level 33, 120 Collins Street,
Melbourne, Victoria 3000

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

Bankers

Bank of Melbourne Limited
360 Collins Street,
Melbourne, Victoria 3000

Share Registry

Company Secretary
c/- Computershare Investor Services Pty. Ltd.
Level 12, 565 Bourke Street,
Melbourne, Victoria 3000

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

QUARTERLY ACTIVITIES REPORT FOR THE THREE MONTHS ENDED 31 DECEMBER 2003

ONSHORE GIPPSLAND BASIN

- **PEP 155** – Onshore, Victoria
(Lakes Oil Group, Operator: 100% interest)

Acquisition of gravity data in the Marlo region is planned and to be followed by stratigraphic drilling.

Lakes has been granted a six months extension of the permit in order to clarify the implications of the new Petroleum Act for permit continuity beyond 2005.

- **PEP 156** – Onshore, Victoria
(Lakes Oil Group, Operator: 100% interest)

The Patties Pies South-1A well was drilled to a depth of 456 metres during October 2003. The well was designed to test the Latrobe Group section on the southern side of the structural high (horst), which was tested in the Patties Pies-1 well.

No shows were encountered in the well and it was subsequently plugged and abandoned, suggesting the shows recorded in nearby water wells were due to solution gas.

Lakes has been granted a six months extension of the permit in order to clarify the implications of the new Petroleum Act for permit continuity beyond 2005.

- **PEP 157** – Onshore, Victoria
(Lakes Oil Group, Operator: 100% interest)

The Trifon-2 well has been delayed pending resolution of funding issues, but is now expected to be drilled in the second quarter of 2004.

Wombat-1, a test of a structure located approximately four kilometres northwest of the town of Seaspray, commenced drilling on 2 December 2003.

The well is designed to test the Latrobe Group, Golden Beach Formation and Strzelecki Formation reservoirs. The well was drilled to 420 metres and surface casing set at 304 metres. The top of the Latrobe Group was intersected at 794 metres. Minor gas shows were recorded in the Latrobe Group. The well was drilled to 1385 metres and 9 ⁵/₈ inch casing set at 1366 metres.

The well was then drilled on in 8 ¹/₂ inch hole and gas shows were recorded in the Golden Beach and Strzelecki Formations.

LAKES OIL N.L.

Quarterly Activities Report for the three months ended 31 December 2003

Drill Stem Test # 1 over the interval 1366-1499 metres flowed gas to surface at 25,000 cubic feet per day. The well then drilled to 1767 metres at which stage 7 inch casing liner was cemented to 1757 metres. Since the end of the year the well has drilled out of the casing shoe in a 6 inch hole encountering numerous gas shows. Core # 1 was cut over the interval 1832.4 to 1834.8 metres before the core barrel jammed: recovery was 90%.

Since the end of the quarter Drill Stem Test # 2 over the interval 1757-1834.8 metres flowed gas to surface at 250,000 cubic feet per day, the highest flow ever recorded onshore Gippsland and Core # 2 was then cut over the interval 1834.8 to 1845.2 metres: recovery was 94%. After coring the well drilled ahead to its total depth of 1990 metres at which stage a 4 ½ inch casing liner was run from within the 7 inch casing to 1989 metres.

It is now planned to undertake a series of cased hole tests to evaluate the significance of the shows encountered whilst drilling.

Planning for a Wombat-2 well is proceeding.

Lakes has been granted a six months extension of the permit in order to clarify the implications of the new Petroleum Act for permit continuity beyond 2005.

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

Analysis of core cut in the Alberton Scout hole in this permit has identified the ‘black sands’ encountered in this well as residual hydrocarbons. An interval from 114 metres to total depth of 207 metres is composed of bitumen stained sands within the Latrobe Group.

Lakes has been granted a six months extension of the permit in order to clarify the implications of the new Petroleum Act for permit continuity beyond 2005.

- **PEP 166** – Onshore, Victoria
(Lakes Oil Group: 50% interest; Operator: AusAm Resources Limited)

Review of airborne Gravity Gradiometer data and aeromagnetics is continuing.

OFFSHORE GIPPSLAND BASIN

- **VIC/P47** – Offshore, Victoria
(Lakes Oil Group: Option to earn 77% interest over a portion of the permit; Operator: Eagle Bay Resources NL)

Work has continued on the Gilbert Prospect in the farmin block. Additional regional studies have been conducted in the sparsely explored northern portion of the block. Discussions are being held with a prospective farm-in partner.

ONSHORE OTWAY BASIN

- **PEL 57** – Onshore, South Australia
(Lakes Oil Group: 40% interest; Operator: Origin Energy Resources Ltd.)

Planning for the year four work commitment of 15 kilometres of 2D seismic (to be acquired this calendar year) is to commence shortly.

- **PEP 152** – Onshore, Victoria
(Lakes Oil Group: 15.59% interest; Operator: Origin Energy Resources Ltd.)

The joint venture has been granted a six months extension of the permit in order to clarify the implications of the new Petroleum Act for permit continuity beyond 2005.

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

Work is ongoing on the Barwon Prospect. The prospect is located updip of the Hindhaugh Creek-1 well drilled in 1963 without seismic surveying. This well encountered indications of hydrocarbons in several intervals of the well.

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

Regional studies are continuing in this permit located on the Colac Plans. An evaluation of the large seismically defined Barangarook Prospect is underway. Much regional work remains to be undertaken to high grade prospects identified within this block.

OFFSHORE OTWAY BASIN

- **EPP 24** - Offshore, South Australia
(Lakes Oil Group, Operator: 100% interest)

The Authority has advised that our application for a Retention Lease over the Troas Field has been rejected. Accordingly the permit and Lakes' 100% working interest and Operatorship has lapsed.

EROMANGA BASIN - Queensland

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

There was no activity undertaken on this permit during the December 2003 quarter.

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

There was no activity undertaken on this permit during the December 2003 quarter.

ONSHORE USA – San Joaquin Basin California

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

There was no activity undertaken on this permit during the December 2003 quarter. Several of the joint venture partners, including Lakes, are attempting to farm-out part of their interest in order to facilitate the proposed re-entry of the suspended Eagle-1 well.

- **KINGFISHER PROSPECT** - Onshore, California, U.S.A.
(Lakes Oil Group: 10% interest; Operator: Victoria Petroleum N.L.)

There was no activity undertaken on this permit during the December 2003 quarter. Several of the joint venture partners, including Lakes', are attempting to farm-out part of their interest in order to facilitate horizontal drilling of the Upper Monterey Formation that had has shows in the well.

Signed on behalf of Lakes Oil N.L.



Jack N. Mulready – Technical Consultant

Dated 29 January 2004

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 December 2003

	Current quarter \$A' 000	Year to date (6 months) \$A' 000
1.13 Total operating & investing cash flows (brought forward)	(1,696)	(2,593)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares options, etc.	3,336	4,770
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other (provide details if material)	-	-
Net financing cash flows	3,336	4,770
Net increase (decrease) in cash held	1,640	2,177
1.20 Cash at beginning of quarter/year to date	1,542	1,005
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	3,182	3,182

**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	81
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: \$18,750
Consulting and professional fees paid to a Director-related entity: \$62,499

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 – 31 December 2003

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	-	-

Estimated cash outflows for next quarter

	\$ A'000
4.1 Exploration and evaluation	3,762
4.2 Development	-
Total	3,762

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)	3,182	1,542
5.2 Deposits at call	16	16
5.3 Bank overdraft	-	-
5.4 Investments in listed companies	1,253	704
Total: cash at end of quarter	4,451	2,262

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	EPP24	Oil and gas exploration lapsed	100%	-
6.2 Interests in mining tenements acquired or increased		No change	-	-

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 December 2003

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 Preference + securities <i>(description)</i>	-	-		
7.2 Changes during quarter	-	-		
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 + Ordinary securities	1,047,336,516	1,047,336,516	-	-
7.4 Changes during quarter				
(a) Increases through issues	57,000,000	57,000,000	\$0.018	\$0.018
(b) Decrease through returns of capital, buy-backs	110,000,000	110,000,000	\$0.021	\$0.021
	Nil	Nil		
7.5 + Convertible debt securities <i>(description)</i>	-	-		
7.6 Changes during quarter	-	-		
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options <i>Directors</i> <i>Staff</i>	36,000,000 19,000,000 55,000,000	-	<i>Exercise price</i> 5 cents 5 cents	<i>Expiry date</i> 30 June 2005 30 June 2005
7.8 Issued during the quarter	4,000,000	-	5 cents	30 June 2005

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 December 2003

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: 

Company Secretary

Date: **29 January 2004**

Print name: **Robert E Love**

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.
- 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.

=====