



LAKE S O I L N . L .

A.C.N. 004 247 214

Quarterly Activities Report
and
Mining Exploration Entity Quarterly Report
for the three months ended
30 June 2003

LAKES OIL N.L.

*Quarterly Activities Report for the
three months ended 30 June 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

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 Vic. 3000

Address for Correspondence

P.O. Box 300, Collins Street West,
Melbourne Vic. 8007

Telephone: (03) 9629 1566

Facsimile: (03) 9629 1624

e-mail: lakes@lakesoil.com.au

Web site: www.lakesoil.com.au

Stock Exchange

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

Legal Advisors

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

Auditors

Ernst & Young
Level 33, 120 Collins Street,
Melbourne Vic. 3000

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

Bankers

Bank of Melbourne Limited
360 Collins Street,
Melbourne Vic. 3000

Share Registry

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

QUARTERLY ACTIVITIES REPORT FOR THE THREE MONTHS ENDED 30 JUNE 2003

During the June quarter our efforts were concentrated on the Gippsland Basin with data obtained from the drilling of Bunga Creek No.1, Bunga Creek No. 2 and Patties Pies No.1 wells were evaluated.

ONSHORE GIPPSLAND BASIN

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

Assessment of the significance of the two Bunga Creek coreholes and integration of the information gathered in these wells with the results of last year's Falcon airborne survey is continuing.

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

Lakes is contemplating a follow up well to the south of Patties Pies No. 1, to be known as Jones Bay No. 1, in order to further assess the significance of the gas shows noted in water bores in the Bairnsdale area.

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

Since the end of the quarter, Lakes has notified AusAm Resources Limited that they no longer have an exclusive right to earn a 50% interest in the Trifon tight gas project. We have had several preliminary approaches from other international companies interested in the project, and have now decided to further investigate these contacts.

Further studies for the potential of fracture stimulation of the Strzelecki Formation reservoirs have also been undertaken.

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

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

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

During the quarter acquisition and review of data from this new permit is continuing and a detailed study of all available open file reports relevant to PEP 166 is being undertaken.

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)

Lakes has concluded a farm-in to the permit whereby Lakes can earn a 77% interest in a defined portion of the permit by drilling a well and completing 200 kilometres of 2D seismic. The well is to be drilled by December 2004.

As a result of an airborne gravity and magnetic survey carried out by Gravity Capital Limited on behalf of Lakes over a portion of Vic/P47 Lakes has mapped a seismically defined structure, to be named “Gilbert”. The structure as mapped could contain up to 54 mmbbls of oil in place should oil be present or up to 26 bcf of gas should gas be present.

Lakes is continuing to reprocess old seismic over the “Gilbert” Structure and has had preliminary discussions with potential farminees with the view to reducing its exposure.

ONSHORE OTWAY BASIN

□ **PEL 57** – Onshore, South Australia

(Lakes Oil Group: 40% interest; Operator: Origin Energy Resources Ltd.)

The PEL 57 joint venture has granted permission for Essential Resources to acquire seismic along the eastern boundary of PEL 57, which abuts PEP 151. The seismic was acquired in June, and the joint venture will have access to the data acquired in their permit once processing is completed.

□ **PEP 152** – Onshore, Victoria

(Lakes Oil Group: 15.59% interest; Operator: Origin Energy Resources Ltd.)

A review of existing prospects and leads is being undertaken by the Operator.

□ **PEP 163** – Onshore, Victoria

(Lakes Oil Group, Operator: 100% interest)

A preliminary field investigation was undertaken in June, and further investigation of structuring in the vicinity of the Hindhaugh Creek-1 well is being undertaken.

□ **PEP 164** – Onshore, Victoria

(Lakes Oil Group, Operator: 100% interest)

A preliminary field investigation was undertaken in June. Seismic and well data from the previous Operator's data base is continuing.

OFFSHORE OTWAY BASIN

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

Lakes has applied for a retention lease over the area containing the Troas structure and is awaiting the results of this application from the State and Federal authorities.

Lakes has obtained a quote of A\$1.2 m from an international engineering group who believes it is possible to air blow the sand from around the original well casing and “lock on” to it. This would allow us to re-enter the original well at some time in the future and drill approximately 300 metres to what we believe is the “Pretty Hill” Formation. It will also allow testing of the gas encountered but not tested when the well was drilled in 1992.

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 June 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 June 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 June 2003 quarter. Several of the joint venture partners, including Lakes Oil, are attempting to farm-out part of their interest in order to facilitate the proposed re-entry of the suspended Eagle No. 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 June 2003 quarter. The Kingfisher well encountered gas shows in the Upper Monterey Formation when it was drilled in 2001. Horizontal drilling on re-entry would be required to test the potential of the reservoir. Several of the joint venture partners, including Lakes, are attempting to farm-out part of their interests.

Signed on behalf of Lakes Oil N.L.

Jack N. Mulready – Technical Consultant

Dated 24 July 2003

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 June 2003

Consolidated statement of cash flows

	Current quarter \$A' 000	Year to date (12 months) \$A' 000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for: (a) exploration and evaluation	(311)	(2,253)
(b) development	-	-
(c) production	-	-
(d) administration	(282)	(1,290)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	20	77
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Net movement in GST suspense account	40	192
Net operating cash flows	(533)	(3,274)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	(151)	(374)
(c) other fixed assets	(10)	(12)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	217	828
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	7
1.12 Other (provide details if material)	-	-
Net investing cash flows	56	449
1.13 Total operating & investing cash flows (carried forward)	(477)	(2,825)

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 30 June 2003

	Current quarter \$A' 000	Year to date (12 months) \$A' 000
1.13 Total operating & investing cash flows (brought forward)	(477)	(2,825)
Cash flows related to financing activities		
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 Capital raising expenses	-	-
Net financing cash flows	-	-
Net increase (decrease) in cash held	(477)	(2,825)
1.20 Cash at beginning of quarter/year to date	1,481	3,829
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	1,004	1,004

**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	80
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: \$61,250

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 June 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	457
4.2 Development	-
Total	457

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)	1,004	1,481
5.2 Deposits at call	23	75
5.3 Bank overdraft	-	-
5.4 Investments in listed companies	315	348
Total: cash at end of quarter	1,342	1,904

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	No change	-	-
6.2	Interests in mining tenements acquired or increased	No change	-	-

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 30 June 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	800,645,655	800,645,655	-	-
7.4 Changes during quarter (a) Increases through issues (b) Decrease through returns of capital, buy-backs				
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 <u>15,000,000</u> 51,000,000	-	<i>Exercise price</i> 5 cents 5 cents	<i>Expiry date</i> 30 June 2005 30 June 2005
7.8 Issued during the quarter		-		

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

Date: **24 July 2003**

Company Secretary

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.

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