



LAKES OIL N.L.

A.C.N. 004 247 214

Quarterly Activities Report
and
Mining Exploration Entity Quarterly Report
for the three months ended
30 June 2004

LAKES OIL N.L.

*Quarterly Activities Report for the three
months ended 30 June 2004*

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

Terence M. Barr Ass.Ap.Geol. (Curtin Univ.)
Jack N. Mulready BSc, Fell. Dip. (Mgmt.) RMIT
Roger A. Meaney BSc (Hons), MSEG
Eric A. Webb BSc, MAAPG, FAusIMM

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.
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.

QUARTERLY ACTIVITIES REPORT FOR THE THREE MONTHS ENDED 30 JUNE 2004

ONSHORE GIPPSLAND BASIN

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

Work continued on locating a scout hole in the Marlo area to test the hypothesis that oil, which is known to be spilling from offshore fields, has migrated to the Marlo area. There are anecdotal reports of oil and gas shows in a water bore at Marlo. The recently flown Falcon airborne gravity gradiometer and magnetics survey has been interpreted. This work indicates a half graben with increased sedimentary section in the Marlo area in both the onshore and near-shore sectors. The results of these surveys are being integrated with geological mapping and aerial photographic studies with a well planned for the next quarter.

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

Geological studies, which are continuing, were conducted in the Bairnsdale/Lakes Entrance area and around Loch Sport. A better understanding of the geology and petroleum potential of this lightly explored area is emerging.

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

Widespread field operations and geological/geophysical studies occurred during the quarter in this highly prospective block. The field activities included:

- **Wombat 2 Appraisal Well (*Fracturing*)**

This well encountered a significant gross gas saturated section. Open-hole Drill Stem Tests flowed gas from two intervals of the early Cretaceous Strzelecki Group. A zone, now believed to be at the base of the Latrobe Group which exhibited a very large gas kick along with heavy homologues, which are normally associated with the presence of oil was the target of two failed open hole Drill Stem Tests.

The first failed due to the plugging of the test tool with Latrobe Group reservoir sands and the second produced Latrobe Group fresh water. The failure to adequately isolate the test interval from a water wet sand caused these failures. A smaller portion of the interval was subsequently tested through casing producing some water along with a small amount of light oil. Further assessment will be made of this zone with the hope that it can be tested in subsequent wells.

ONSHORE GIPPSLAND BASIN (continued)

- **Trifon 2 (*Deepening and fracturing*)**

The Trifon 2 well, which is located some 50 metres from the Trifon 1 well was drilled to a depth of 1267 metres with a conventional rig. This depth is 41 metres into the Strzelecki Group. The well was cased and suspended. This work was preparatory for the proposed deepening and fracture stimulation which is expected to produce commercial gas flows from the tight gas-saturated Strzelecki Group section, which was discovered in the nearby Trifon 1 gas discovery well.

The Trifon wells are located on the large North Seaspray Anticline which along with the adjacent Seaspray Anticline comprise the Greater Trifon Tight Gas Project.

The Trifon Tight Gas Project is funded by Jarden Corporation Australia Pty Ltd to the extent that the first \$5 million of expenditure contributed by them will earn a 50% interest in a defined area which covers both the Trifon and Gangell structures and includes the North Seaspray 3 well.

- **North Seaspray 3 (*Re-entry and Deviation*)**

The North Seaspray 3 well drilled in 2000 was re-entered and deepened from 1170 to 1438 metres. From this depth, a deviated hole was drilled towards the south east away from the bounding fault. The target sand was encountered at 1294 metres, which corresponds to a true vertical depth of 1269.4 metres. Casing was then run and the well suspended for future horizontal drilling with a coiled tubing unit. This preparatory work is part of another attempt to obtain commercial gas flows from the tight, gas saturated Strzelecki Group section in the Greater Trifon Tight Gas Field.

- **Geological and Geophysical**

A large scale re-mapping of all modern seismic data in PEP 157 was commenced. A review of all well data was undertaken to calibrate the seismic interpretation, which continues. This mapping will provide new and more accurate maps of the Trifon Tight Gas Project and the Wombat Gas Field. Several leads and prospects within the Strzelecki Group have already been identified. These are expected to be evaluated by future drilling.

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

Work has commenced on re-mapping of all the modern seismic data in this permit. All relevant well completion reports have been reviewed to calibrate the seismic data. Several prospects and leads have been recognised. This re-mapping will be integrated with the previously mentioned re-mapping in the neighbouring permit, PEP 157, to provide continuous maps of the western portion of the onshore Gippsland Basin.

ONSHORE GIPPSLAND BASIN (continued)

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

Geological studies continued in this permit in the South Gippsland Hills. Farmout discussions have been held with several groups. Lakes Oil awaits the decisions of these interested parties. Leads and prospects have been identified at Hazelwood and Loy Yang amongst others.

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 and on new play concepts in this block in the northern offshore sector of the Gippsland Basin.

Lakes Oil has received from Bass Strait Oil Company Ltd an option for the Ocean Patriot to drill a well in the four graticular blocks forming part of Vic/P47 known as the Gilbert Blocks.

- **VIC/P40V** – Offshore, Victoria
(Lakes Oil Group, Operator: 100% interest)

Work on the recently acquired Falcon airborne gravity gradiometer and magnetics survey continued in this newly awarded permit in Victorian territorial waters between Lakes Entrance and Marlo. The interpretation is being integrated with that in Vic/P47 and PEP 155 to identify either structural or stratigraphic traps on the migration pathways from oil fields, which are known to be spilling oil.

ONSHORE OTWAY BASIN

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

There was no activity undertaken on this permit during the June 2004 quarter.

- **PEP 152** – Onshore, Victoria
(Lakes Oil Group: 15.59% interest; Operator: Essential Petroleum Resources)

During the quarter the Killarney EPRL No 1 well was drilled to a total depth of 1640 metres. Evaluation of wireline logs failed to identify good reservoir in spite of gas shows throughout the targeted Waarre Formation. As a result the well was plugged and abandoned on 20 June 2004.

ONSHORE OTWAY BASIN (continued)

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

Geological and geophysical studies continued in this block centred on the Bellarine Peninsula. A contract has been awarded for the acquisition, processing and interpretation of an extensive geochemical survey in this under-explored permit.

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

Geological and geophysical studies continued in this block centred on the Colac Plains. A contract has been awarded for the acquisition, processing and interpretation of a large-scale geochemical survey in this prospective permit. This survey will be undertaken in conjunction with the previously mentioned survey in the adjacent permit, PEP 163.

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 2004 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 2004 quarter.

ONSHORE USA – San Joaquin Basin California

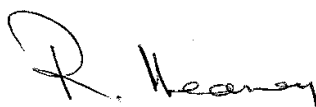
- **EAGLE PROSPECT** - Onshore, California, U.S.A.
(Lakes Oil Group: 15% working interest; Operator: Victoria Petroleum N.L.)

Efforts to farm-out this prospect are continuing.

- **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 2004 quarter.

Signed on behalf of Lakes Oil N.L.



Roger Meaney – Technical Consultant

Dated 27 July 2004

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 30 June 2004

	Current quarter \$A' 000	Year to date (12 months) \$A' 000
1.13 Total operating & investing cash flows (brought forward)	(5,188)	(11,187)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares options, etc.	3,100	12,108
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Trifon Joint Venture Farmin Agreement	1,000	2,000
Net financing cash flows	4,100	14,108
Net increase (decrease) in cash held	(1,088)	2,921
1.20 Cash at beginning of quarter/year to date	5,014	1,005
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	3,926	3,926

**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 2004

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	3,375
4.2 Development	-
Total	3,375

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)	3,926	5,014
5.2 Deposits at call	16	16
5.3 Bank overdraft	-	-
5.4 Investments in listed companies	1,010	1,964
Total: cash at end of quarter	4,952	6,994

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 2004

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	1,230,781,516	1,230,781,516	-	-
7.4 Changes during quarter				
(a) Increases through issues	77,500,000	77,500,000	\$0.04	\$0.04
(b) Decrease through returns of capital, buy-backs	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>Exercise price</i>	<i>Expiry date</i>
Directors	36,000,000		5 cents	30 June 2005
Staff	19,000,000		5 cents	30 June 2005
Trifon Farmin	<u>30,000,000</u>		7.1 cents	31 December 2006
	<u>85,000,000</u>			
7.8 Issued during the quarter	-	-		

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 30 June 2004

7.9	Exercised during the quarter	-	-		
7.10	Expired during the quarter	-	-		
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (totals only)	-	-		

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: 
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Company Secretary

Date: **27 July 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.

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