



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 2005

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

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

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Stock Exchange

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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

Westpac Banking Corporation
360 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 (www.lakesoil.com.au) 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 2005

ONSHORE GIPPSLAND BASIN

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

A review is progressing for re-opening the Hunters Lane well and using a new centrifuge technology to separate the water from the oil.

- **PEP 155** Marlo Block (Eastern portion) – Onshore, Victoria
(Lakes Oil Group, Operator: 46% interest)

Work continued on planning and preparation of drilling two scout holes, Patrobus - 1 and Banjo-1, to be drilled 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. The drilling sites have been prepared, but drilling has been delayed due to the Australia-wide shortage of rigs at this time. We are actively seeking to engage a suitable rig to commence operations.

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

Geological studies are continuing in the Bairnsdale/Lakes Entrance area and around Loch Sport. Further understanding of the petroleum prospectivity of this lightly explored area is emerging. The Loch Sport – Seacombe area has been highlighted from this work.

- **PEP 157** – Onshore, Victoria
(Lakes Oil Group, Operator: 100% interest of overall permit. Roma Petroleum NL has a 5% over-riding royalty)

Field operations and geological/geophysical studies continued during the quarter. These included:

WOMBAT BLOCK

(Lakes Oil Group, Operator: 92.5% Private interests 7.5%)

Wombat - 1 well

The top producing zone in the well has been subjected to a number of different treatments and the well was flowing gas to the surface during June. We have cemented off most of the water which appeared to be coming from the lower part of the zone, producing gas to surface. For now, the well is suspended.

ONSHORE GIPPSLAND BASIN (continued)

Wombat - 2 well

The well was hydraulically fractured between 1,474 and 1,491 metres. An eight day flow test through a separator was performed resulting in a substantial flow of 680,000 cubic feet per day and flowed gas to surface over a period of eight days. Following the extended flow test, the well has been shut-in and suspended as a future gas producing well.

Wombat - 3 well

During the quarter, two zones were opened - at 2,106 and 1,417 metres. Both zones have been fractured and the well has cleaned up, with fracture fluid and gas flowing to the surface. Subsequently the well was production tested with surface separator equipment and shut in for pressure build up. Analysis of this data in combination with the fracture treatment data will be used to analyse the performance of the reservoirs and determine future plans. Further assessment is being made of the oil recovered from the lower zone and its implications for the entire permit.

TRIFON BLOCK

(Lakes Oil Group, Operator: 50% Jarden Corporation Australia Pty Ltd 50%)

Trifon - 2 well

Trifon - 2 was hydraulically fractured between 1,830 and 1,860 metres and also at 1,590 metres. The fracture at 1,590 metres is still open and the well is closed in awaiting further tests. Both zones indicated the formation was very tight with minor amounts of gas recovered at surface. The strategy at Trifon 2 has been to fracture the well from the bottom upwards and there are now five fractured zones in this well. The best result to date have been from the lowest zone, which has indicated to us that the existing natural fractures are contributing to the "play".

North Seaspray - 3 well

The North Seaspray - 3 well was horizontally drilled in September 2004, but there was little success in recovering gas from the Strzelecki sands at the time. As the fracturing equipment was nearby during the current fracturing program in June 2005, it was decided to hydraulically fracture the top Strzelecki sand zone to obtain some production from the well. A small amount of gas flowed to the surface during the clean up after the hydraulic fracturing treatment, before the well loaded with clean up fluid and is now closed in awaiting further test.

GEOLOGICAL AND GEOPHYSICAL

Pre-Production Feasibility Study

In May 2005, Lakes Oil commissioned Landmark Consulting Services in the USA to conduct an independent feasibility study of the Wombat - Trifon tight gas fields. The study is still being completed and results are expected to be available in the next quarter.

ONSHORE GIPPSLAND BASIN (continued)

Proposed Boundary Creek-2 well

Lakes Oil is proposing to drill Boundary Creek - 2, a deep exploration well on the Longford Dome into the Strzelecki Group to test for tight gas sands. It is to be drilled not far from Boundary Creek - 1A corehole, which encountered strong gas shows but was only drilled to 366 metres. The Longford Dome in the northern part of the permit forms a closure on the north-eastern part of the very large Baragwanath Anticline and is considered to be prospective for tight gas in the Strzelecki Group, based on new technologies developed in the USA.

A firm drilling date for this well has not been determined at this date.

- **PEP 158** – Onshore, Victoria
(Lakes Oil Group, Operator: 100% interest subject to 5% over-riding royalty)

Further re-mapping is being integrated with data in the neighbouring permit, PEP 157, to provide continuous maps of the western portion of the onshore Gippsland Basin. Re-evaluation of all well data using new technologies is continuing.

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

Continuing geological studies in this permit in the South Gippsland Hills have identified several prospective Strzelecki gas prospects, including at Hazelwood and Loy Yang. Discussions are continuing with a large power company to drill the Loy Yang Dome target beneath the Loy Yang A and B Power Station. A firm drilling date has not yet been determined.

OFFSHORE GIPPSLAND BASIN

- **VIC /P47 (GILBERT BLOCK)** - Offshore, Victoria
(Lakes Oil Group: 26% interest; Operator: Bass Strait Oil Co)

Work has continued on the Gilbert Prospect in this block in the northern offshore sector of the Gippsland Basin. The current drilling schedule of the “Ocean Patriot” semi-submersible rig indicates that the Gilbert -1 well will be drilled in the third quarter of 2005. Lakes Oil will hold 26% free carry through the drilling of the well to casing point.

- **VIC/P40 (V)** - Nearshore, Victoria
(Lakes Oil Group - 39.2%; Operator: Lakes Oil NL)

Following the Falcon airborne gravity survey, continuing re-mapping is being integrated with data in the neighbouring permit, PEP 157, to provide continuous maps of the western portion of the onshore Gippsland Basin. Re-evaluation of all well data using new technologies is continuing.

ONSHORE OTWAY BASIN, SOUTH AUSTRALIA

- **PEL 57** – Onshore, South Australia
(Lakes Oil Group: 40% interest; Operator: Lakes Oil N.L.)

Preparation and planning for a regional geochemical survey to be conducted in the next quarter is currently underway. The geological setting and structural plays are similar to the tight gas basin-centred Strzelecki plays developed by Lakes in the onshore Gippsland Basin.

- **PEL 66** – Onshore, South Australia
(Lakes Oil Group: 40% interest; Operator: Lakes Oil N.L.)

Preparation and planning for a regional geochemical survey to be conducted in the next quarter is currently underway. The geological setting and structural plays are similar to the tight gas basin-centred Strzelecki plays developed by Lakes in the onshore Gippsland Basin.

ONSHORE OTWAY BASIN, VICTORIA

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

There was no activity undertaken in this permit during the June 2005 quarter.

- **PEP 163** – Onshore, Victoria
(Lakes Oil Group: 1000% interest; Operator: Jupiter Energy Victoria Pty Ltd will earn 50% interest in the permit after spending the first \$1.2m of Bellarine well costs)

A regional geochemical survey was conducted in the permit during this period. Final results are being compiled in USA by the contractor. Geochemical signatures from existing oil and gas wells in the Port Campbell Embayment were included in the survey to provide known reference data for the survey.

Bellarine -1 well commenced drilling on 23 July 2005. The well is designed to test an up-dip closure in the Strzelecki Group, located near Hindhaugh Creek -1, drilled in 1969, which flowed gas to the surface.

Jupiter Energy Victoria Pty Ltd has farmed-in to this permit and will carry Lakes Oil for the first \$1.2m of costs of this well to earn a 50% interest in the permit.

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

A regional geochemical survey was conducted in the permit during this period. Final results are being compiled in USA by the contractor. Geochemical signatures from existing oil and gas wells in the Port Campbell Embayment were included in the survey to provide known reference data for the survey.

Jupiter Energy Victoria Pty Ltd has an option to farm-in to this permit for a one third interest following the drilling of Bellarine -1 well in PEP 163.

EROMANGA BASIN - Queensland

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

There was no activity undertaken on this permit during the June 2005 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 2005 quarter.

ONSHORE USA – San Joaquin Basin California

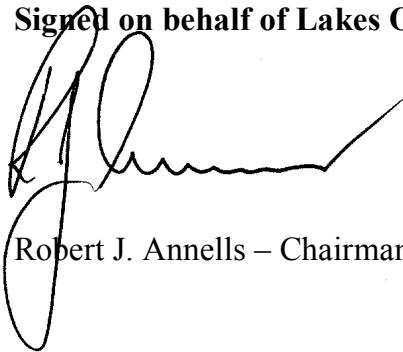
- ❑ **EAGLE PROSPECT** - Onshore, California, U.S.A.
(Lakes Oil Group: 15% working interest; Operator: Victoria Petroleum N.L.)

Results of a seismic survey conducted over this prospect in 2004 were encouraging and have led to the consortium to call for the drilling of a deep well, Eagle II, in the next quarter. The main targets are the highly prospective Gatchell Sands that are known to flow oil at rates as high as 223 barrels per day in nearby wells. Lakes Oil will hold a 15% interest in the 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 2005 quarter.

Signed on behalf of Lakes Oil N.L.



Robert J. Annells – Chairman

Dated 27 July 2005

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 2005

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	(2,745)	(9,769)
(b) development	-	-
(c) production	-	-
(d) administration	(489)	(2,157)
(e) Capital Raising	(186)	(468)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	18	84
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Net movement in GST suspense account	118	95
Net operating cash flows	(3,284)	(12,215)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	(914)
(c) other fixed assets	(1)	(147)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	595
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material) Debtors	239	21
Net investing cash flows	238	(445)
1.13 Total operating & investing cash flows (carried forward)	(3,046)	(12,660)

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 30 June 2005

	Current quarter \$A' 000	Year to date (12 months) \$A' 000
1.13 Total operating & investing cash flows (brought forward)	(3,046)	(12,660)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares options, etc.	3,080	8,492
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	320	4,041
Net financing cash flows	3,400	12,533
Net increase (decrease) in cash held	354	(127)
1.20 Cash at beginning of quarter/year to date	3,445	3,926
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	3,799	3,799

**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

Joint venture partner contributed a further \$320,000 to the project.

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 30 June 2005

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 (Prior to \$1.2m contribution by farminee)	5,012
4.2 Development	-
Total	5,012

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)	3,799	3,445
5.2 Deposits at call	117	117
5.3 Bank overdraft	-	-
5.4 Investments in listed companies (market value)	1,668	2,379
Total: cash at end of quarter	5,584	5,941

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	-	-
6.2		Interests in mining tenements acquired or increased	-	-

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 30 June 2005

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	1,494,201,516	1,494,201,516	-	-
7.4 Changes during quarter				
(a) Increases through issues	141,500,000	141,500,000	\$0.022	\$0.022
(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	24,000,000	-	7.14 cents	17 November 2009
Staff	3,900,000	-	7.14 cents	17 November 2009
Trifon Farmin	30,000,000	-	7.1 cents	30 June 2005
	57,900,000	-		
7.8 Issued during the quarter	3,900,000	-	7.14 cents	17 November 2009

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 30 June 2005

7.9	Exercised during the quarter	-	-		
7.1 0	Expired during the quarter	51,000,000	-	5 cents	30 June 2005
7.1 1	Debentures <i>(totals only)</i>	-	-		
7.1 2	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: 26 July 2005

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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