



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 March 2004

LAKES OIL N.L.

*Quarterly Activities Report for the three
months ended 31 March 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

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

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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 31 MARCH 2004

ONSHORE GIPPSLAND BASIN

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

The acquisition and processing of gravity data along with aeromagnetic, radiometric and terrain data in the Marlo region was completed in February. Interpretation is underway. It is expected to be followed by stratigraphic drilling later this year.

This gravity survey was completed in conjunction with similar recording in the offshore coastal permit in what is now VIC/P40V which has been awarded to Lakes Oil N.L.

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

No field activity was undertaken in this permit during the period of this report. The results of wells drilled in the permit are being studied.

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

Preparatory work continues to be undertaken for the drilling of the Trifon 2 well which is aimed at obtaining a commercial flow from the extensive gas saturated section within the tight Strzelecki Group sandstones.

Drilling of the Wombat 1 well commenced on 2 December 2003. The well is located approximately four kilometres north west of the town of Seaspray.

Six Drill Stem Tests of the Wombat 1 discovery well were conducted, two open hole tests and four cased hole tests. These tests gave results respectively of:

- DST#1A over the interval 1358-1449 metres produced 25,000 cubic feet of gas per day from the Golden Beach sands.
- DST#2 over the interval 1740-1834.8 metres produced 250,000 cubic feet of gas per day from the Strzelecki/ Golden Beach Formation.
- DST#3 over the interval 1946-1957 metres produced at an estimated 25,000 cubic feet of gas per day on a ¼ inch choke in the Strzelecki. A tight formation is indicated.
- DST#4 over the interval 1532-1591 metres produced 100,000 cubic feet of gas per day on a ¼ inch choke from the Golden Beach. Down-hole data indicates a reservoir pressure significantly higher than anticipated and an increasing flowing bottom hole pressure during the main flow.

ONSHORE GIPPSLAND BASIN (continued)

- DST#5 tested the Golden Beach/Strzelecki over the interval 1497-1515 metres at rates up to some 300,000 cubic feet of gas per day on a ¼ inch choke. Indications during drilling were positive with high gas readings, a drilling break and crossover of the neutron-density electric logs.
- DST#6 over the interval 694-714 m produced gas cut brine. The test was in the Latrobe Formation, the productive formation in the giant Bass Strait oil and gas fields. The water recovered was apparently completion fluid and mud filtrate.

The well was completed and suspended for production tests. In March a 'Stim Gun' stimulation was conducted over the interval 1489 – 1604 metres. The well flowed gas at an increased rate. Daily 'clean-up' tests have been conducted and some light 47° API crude oil/condensate has been recovered. These tests are continuing.

A second well Wombat 2 commenced drilling on 31 March 2004. This well is located some two kilometres south west of the Wombat 1 discovery well. This is the first well to appraise the Wombat 1 gas discovery. Very high concentrations of gas were encountered in several intervals of the Golden Beach and Strzelecki Group sections. Four open hole Drill Stem Tests were attempted of which two were successful. The open hole tests were:

- DST#1 over the interval 1355 – 1391 metres. Initially, the well flowed gas to surface but the tool plugged shortly after opening with sands from the overlying Latrobe Group, indicating communication, not the desired isolation of the test zone.
- DST#1A over the interval 1355 – 1391 metres. As in the first attempt this test was a mis-run. The test recovered an estimated 1300 metres of fresh water from the overlying Latrobe Group section.
- DST#2 over the interval 1400 – 1428 metres flowed gas to surface in seven minutes, and the flow stabilised at 217,000 cubic feet per day through a ¼ inch choke.
- DST#3 over the interval 1464 – 1497 metres in sandstones of the Strzelecki Group flowed gas to surface in six minutes at a maximum rate of 485,000 cubic feet per day declining to just over 400,000 cubic feet per day. This is believed to be the highest level of gas ever recorded from the Strzelecki Formation onshore.

The interval which was not successfully tested by DST's 1 and 1A will be tested through casing.

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

No field activities were undertaken in this permit during the period of reporting. Studies on the potential of the recently discovered large resource contained in the black sands' of the Latrobe Group have commenced.

ONSHORE GIPPSLAND BASIN (continued)

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

No field activities were undertaken in this permit during the period of reporting. Studies involving the “tight gas” potential of the Strzelecki Group sandstones have commenced.

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 of this permit along with regional studies in the sparsely explored northern portion of the block. This work is being integrated with similar work being carried out in the newly acquired block VIC/P40V in Victorian territorial waters and the onshore permit PEP 155.

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

Lakes Oil was awarded this offshore permit VIC/P40V in March 2004. A Falcon airborne gravity survey with ancillary aeromagnetics, radiometrics and terrain data was recorded in this permit in February in concert with that previously mentioned in PEP 155.

Interpretation of the data has begun and continues and several prospective areas are apparent.

ONSHORE OTWAY BASIN

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

Currently the focus of exploration is the southeastern corner of the permit, near the South Australian/Victorian border. A Lower Cretaceous prospect has also been mapped in the northwest corner of the permit and the joint venture is reviewing both options

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

A fellow Joint Venture party has begun work on the preparation of a drilling proposal for the Killarney Prospect. This work continues.

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

Work has continued 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.

ONSHORE OTWAY BASIN (continued)

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

Regional studies are continuing in this permit located on the Colac Plains. An evaluation of the large seismically defined Barangarook Prospect began. Regional work to high grade prospects identified within this block has begun.

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 March 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 March 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.)

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

- **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 March 2004 quarter.

Signed on behalf of Lakes Oil N.L.



Jack N. Mulready – Technical Consultant

Dated 30 April 2004

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")

31 March 2004

Consolidated statement of cash flows

	Current quarter \$A' 000	Year to date (9 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	(2,728)	(4,094)
(b) development	-	-
(c) production	-	-
(d) administration	(297)	(1,329)
(e) capital raising costs	(228)	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	24	55
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Net movement in GST suspense account	(156)	(131)
Net operating cash flows	(3,385)	(5,499)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	(519)
(c) other fixed assets	-	(1)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	51
(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	(21)	(31)
Net investing cash flows	(21)	(500)
1.13 Total operating & investing cash flows (carried forward)	(3,406)	(5,999)

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 March 2004

	Current quarter \$A' 000	Year to date (9 months) \$A' 000
1.13 Total operating & investing cash flows (brought forward)	(3,406)	(5,999)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares options, etc.	4,238	9,008
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	1,000
Net financing cash flows	5,238	10,008
Net increase (decrease) in cash held	1,832	4,009
1.20 Cash at beginning of quarter/year to date	3,182	1,005
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	5,014	5,014

**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	300
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 – 31 March 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	3,644
4.2 Development	-
Total	3,644

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)	5,014	3,182
5.2 Deposits at call	16	16
5.3 Bank overdraft	-	-
5.4 Investments in listed companies	1,964	1,253
Total: cash at end of quarter	6,994	4,451

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	VIC/P40V Oil and gas exploration Acquired	-	100%

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 March 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	1,153,281,516	1,153,281,516	-	-
7.4 Changes during quarter				
(a) Increases through issues				
(b) Decrease through returns of capital, buy-backs	105,945,000	105,945,000	\$0.04	\$0.04
	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> <i>Trifon Farmin</i>	36,000,000 19,000,000 <u>30,000,000</u> <u>85,000,000</u>	-	<i>Exercise price</i> 5 cents 5 cents 7.1 cents	<i>Expiry date</i> 30 June 2005 30 June 2005 31 December 2006
7.8 Issued during the quarter	30,000,000	-	7.1 cents	31 December 2006

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

Company Secretary

Date: **30 April 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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