



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 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  
Greg J. Blackburn BSc(Hons), PhD  
Ingrid Campbell RMIT (Geol), MPESA, MGSA  
Guy Holdgate BSc (Hons), PhD

### **Registered Office**

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Melbourne Victoria 3000

### **Address for Correspondence**

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**Web site:** [www.lakesoil.com.au](http://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**

Westpac Banking Corporation  
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 ([www.lakesoil.com.au](http://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 31 MARCH 2005

Following a successful capital raising in the previous quarter Gippsland Offshore Petroleum Limited (“GOP”) listed on the Australian Stock Exchange on 10 January 2005, and farmed into three permits in which Lakes Oil N.L. or a wholly owned subsidiary company held an interest. The permit areas are PEP 155 (Marlo Block), Vic/P40 V and Vic/P47 (west) (Gilbert Blocks).

### ONSHORE GIPPSLAND BASIN

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

Results of the airborne Falcon gravimetric, radiometric and magnetics surveys are being integrated with available geological and seismic data from nearby offshore areas. These results are being co-ordinated with ongoing geological mapping and aerial photographic studies conducted across both portions of the PEP 155 permit.

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

Two prospects, “Banjo” and “Patrobus” in the Marlo Block have been identified from air photo interpretation together with results from Falcon gravimetric, radiometric and magnetics surveys. Results of this data are being integrated with available geological and seismic data from nearby offshore areas. These two shallow prospects are expected to be drilled in the June 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 is emerging. This work has up-graded the Lochport- Secombe area in particular.

- **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 occurred during the quarter in this highly prospective permit. The field activities included:

## **Echidna High - 1 exploration well**

*(Lakes Oil Group, Operator: 100% interest)*

Echidna High - 1 well was spudded on 26 February 2005 and programmed to drill to a depth of 1,500 metres to test a mapped seismic structure located some 10 kilometres north-west of the Wombat discovery wells. The primary target was sands in the Strzelecki Group and secondary target in the Latrobe Group. The section intersected was affected by faulting and the top of the Latrobe and Strzelecki Groups were intersected deeper than anticipated. After minor gas shows were recorded in the Strzelecki Group at 1,591 metres, it was decided to case the well to 1,600 metres and test the section in the interval between 1,590 and 1,609 metres. No significant shows were encountered in the testing. The well continued to a total depth of 1,868 metres when electric logs were run to examine the nature of the deeper section penetrated on both sides of the fault forming the structure. Detailed interpretation of the well and seismic data are currently being conducted. The well reached total depth on 22 March 2005.

## **WOMBAT BLOCK**

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

### **Wombat - 2 well test**

Wombat - 2 well was re-opened for extended gas flow-testing during drilling of the nearby Echidna High well while personnel were in the area. The well continued to flow gas to the surface for over a week before being shut-in to establish the build-up pressures in the reservoir sands. Results of the testing are currently being evaluated by Halliburton in Denver, Colorado.

## **TRIFON BLOCK**

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

### **Trifon – 2, North Seaspray – 3**

Further evaluation continues on the results of the Trifon and North Seaspray wells and the Wombat Gas Field.

Since the end of this quarter, Lakes Oil N.L. has contracted an experienced hydraulic fracturing expert, Mr. Jim Macadam, to evaluate the economic feasibility of development of the Wombat and Trifon gas reservoirs and to oversee the fracture stimulation program on both the Wombat-3 and Trifon-2 wells. Initial evaluation on the commercial development of these wells is expected to be available in the next quarter.

## **Geological and geophysical**

Large scale re-mapping of all existing seismic in PEP 157 continued during the quarter. This re-mapping in both PEP 157 and the adjoining permit PEP 158, will provide continuous maps of the western portion of the onshore Gippsland Basin.

### □ **PEP 158 – Onshore, Victoria**

*(Lakes Oil Group, Operator: 100% interest)*

Work is continuing on re-mapping of all the existing seismic in the permit in conjunction with that from the adjoining permit PEP 157. All relevant well data has been reviewed so that it can be calibrated with the seismic. The re-mapping in both PEP 158 and the

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*Quarterly Activities Report for the nine months ended 31 March 2005*

adjoining permit PEP 157, will provide continuous maps of the western portion of the onshore Gippsland Basin.

□ **PEP 166** – Onshore, Victoria

*(Lakes Oil Group: 50% interest; Operator: Lakes Oil jointly with AusAm Resources Limited)*

Geological studies have continued in this permit in the South Gippsland Hills. Several leads and prospects on the subsurface top of Strzelecki Group have been identified. These include leads at Hazelwood and Loy Yang. A drilling proposal is being prepared for the drilling of the Hazelwood prospect.

## OFFSHORE GIPPSLAND BASIN

□ **VIC /P47 (GILBERT BLOCK )** - Offshore, Victoria

*(Lakes Oil Group: 26% interest; Operator: Bass Strait Oil Co)*

Geological studies continued on the Gilbert Prospect and on new play concepts in this block. The seismically defined Gilbert Prospect is planned to be drilled later in the year, using the “Ocean Patriot” semi-submersible drilling rig.

The participating interests in the Gilbert Block subsequent to drilling of Gilbert would be:

|   |     |
|---|-----|
| ▪ Gippsland Offshore Petroleum Ltd                            | 51% |
| ▪ Petro Tech Pty Ltd - a wholly-owned subsidiary of Lakes Oil | 26% |
| ▪ Rilo Explorations Pty Ltd                                   | 3%  |
| ▪ Moby Oil and Gas Ltd  | 10% |
| ▪ Eagle Bay Resources NL                                      | 10% |

Work is continuing on the Gilbert prospect and on new play concepts in the permit.

□ **VIC/P40 (V)** - Nearshore, Victoria

*(Lakes Oil Group - 39.2%; Operator: Lakes Oil NL)*

During the previous quarter, the company signed a farm-in agreement with Gippsland Offshore Petroleum Ltd. Lakes Oil have a participating interest of 39.2% subsequent to GOP’s expenditure.

Further interpretation of the Falcon airborne gravity and magnetic survey continued in this permit in Victorian territorial waters between Lakes Entrance and Marlo. The interpretation has identified the Foster Prospect and the Harman Lead, a structural trap. The Foster Prospect has adequate seismic coverage and could be drilled at short notice.

## ONSHORE OTWAY BASIN

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

*(Lakes Oil Group: 40% interest; Operator: Lakes Oil N.L.)*

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

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

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

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

Geological and geophysical studies continued in this under-explored block centred on the Bellarine Peninsula. Planning and preparation for a regional geochemical survey was conducted with an estimated start date before the end of autumn.

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

Geological and geophysical studies continued in this under-explored block centred on the Colac Plains. Planning and preparation for a regional geochemical survey was conducted with an estimated start date before the end of Autumn.

## 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 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 March 2005 quarter.

## ONSHORE USA – San Joaquin Basin California

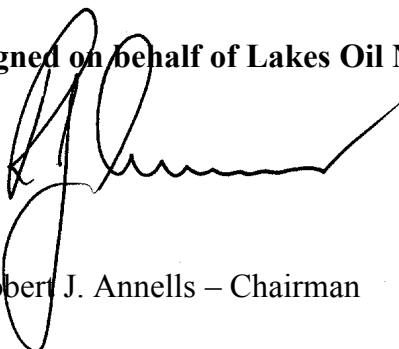
- **EAGLE PROSPECT** - Onshore, California, U.S.A.  
(Lakes Oil Group: 15% working interest; Operator: Victoria Petroleum N.L.)

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 March quarter.

Signed on behalf of Lakes Oil N.L.



Robert J. Annells – Chairman

Dated 28 April 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")

**31 March 2005**

### Consolidated statement of cash flows

|   | Current quarter<br>\$A' 000 | Year to date<br>(9 months)<br>\$A' 000 |
|---|-----------------------------|--|
| <b>Cash flows related to operating activities</b>             |                             |  |
| 1.1 Receipts from product sales and related debtors           | -                           | -                                      |
| 1.2 Payments for:   |                             |  |
| (a) exploration and evaluation                                | (340)                       | (7,024)                                |
| (b) development   | -                           | -                                      |
| (c) production  | -                           | -                                      |
| (d) administration  | (439)                       | (1,668)                                |
| (e) Capital Raising   | (100)                       | (282)                                  |
| 1.3 Dividends received  | -                           | -                                      |
| 1.4 Interest and other items of a similar nature received     | 9                           | 66                                     |
| 1.5 Interest and other costs of finance paid                  | -                           | -                                      |
| 1.6 Income taxes paid   | -                           | -                                      |
| 1.7 Net movement in GST suspense account                      | (159)                       | (23)                                   |
| <b>Net operating cash flows</b>                               | <b>(1,029)</b>              | <b>(8,931)</b>                         |
| <b>Cash flows related to investing activities</b>             |                             |  |
| 1.8 Payment for purchases of:                                 |                             |  |
| (a) prospects   | -                           | -                                      |
| (b) equity investments  | (34)                        | (914)                                  |
| (c) other fixed assets  | (1)                         | (146)                                  |
| 1.9 Proceeds from sale of:                                    |                             |  |
| (a) prospects   | -                           | -                                      |
| (b) equity investments  | 140                         | 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   | 132                         | (218)                                  |
| <b>Net investing cash flows</b>                               | <b>237</b>                  | <b>(683)</b>                           |
| 1.13 Total operating & investing cash flows (carried forward) | <b>(792)</b>                | <b>(9,614)</b>                         |

**Appendix 5B - Lakes Oil N.L. (LKO)**  
**Mining exploration entity quarterly report – 31 March 2005**

|   | Current quarter<br>\$A' 000 | Year to date<br>(9 months)<br>\$A' 000 |
|---|-----------------------------|--|
| 1.13 Total operating & investing cash flows (brought forward) | (792)                       | (9,614)                                |
| <b>Cash flows related to financing activities</b>             |                             |  |
| 1.14 Proceeds from issues of shares options, etc.             | 2,377                       | 5,412                                  |
| 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                    | 1,721                       | 3,721                                  |
| <b>Net financing cash flows</b>                               | <b>4,098</b>                | <b>9,133</b>                           |
| <b>Net increase (decrease) in cash held</b>                   | <b>3,306</b>                | <b>(481)</b>                           |
| 1.20 Cash at beginning of quarter/year to date                | 139                         | 3,926                                  |
| 1.21 Exchange rate adjustments to item 1.20                   | -                           | -                                      |
| 1.22 <b>Cash at end of quarter</b>                            | <b>3,445</b>                | <b>3,445</b>                           |

**Payments to Directors of the entity and associates of the Directors;  
Payments to related entities and associates of the related entities.**

|   | Current quarter<br>\$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 – 31 March 2005**

**Financing facilities available**

*Add notes as necessary for an understanding of the position.*

|                                 | Amount available<br>\$A'000 | Amount used<br>\$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities             | -                           | -                      |
| 3.2 Credit standby arrangements | -                           | -                      |

**Estimated cash outflows for next quarter**

|                                | \$ A'000     |
|--------------------------------|--------------|
| 4.1 Exploration and evaluation | 2,100        |
| 4.2 Development                | -            |
| <b>Total</b>                   | <b>2,100</b> |

**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<br>\$A'000 | Previous quarter<br>\$ A'000 |
|---|----------------------------|------------------------------|
| 5.1 Cash on hand and at bank (item 1.22)  | 3,445                      | 139                          |
| 5.2 Deposits at call  | 117                        | 117                          |
| 5.3 Bank overdraft  | -                          | -                            |
| 5.4 Investments in listed companies (market value)  | 2,379                      | 2,549                        |
| <b>Total: cash at end of quarter</b>  | <b>5,941</b>               | <b>2,805</b>                 |

**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 – 31 March 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 <b>Preference securities</b><br><i>(description)</i>   | -  | -                     |  |  |
| 7.2 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through returns of capital, buy-backs, redemptions | -  | -                     |  |  |
| 7.3 <b>+Ordinary securities</b>  | <b>1,352,701,516</b>   | <b>1,352,701,516</b>  | -  | -  |
| 7.4 Changes during quarter<br>(a) Increases through issues<br>(b) Decrease through returns of capital, buy-backs               | 59,420,000<br><br>Nil  | 59,420,000<br><br>Nil | \$0.04   | \$0.04   |
| 7.5 <b>+Convertible debt securities</b><br><i>(description)</i>  | -  | -                     |  |  |
| 7.6 Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted              | -  | -                     |  |  |
| 7.7 <b>Options</b><br><i>Directors</i><br><i>Directors</i><br><i>Staff</i><br><i>Trifon Farmin</i>                             | <b>36,000,000</b><br><b>24,000,000</b><br><b>15,000,000</b><br><b>30,000,000</b><br><b>105,000,000</b> | -                     | <i>Exercise price</i><br><b>5 cents</b><br><b>7.14 cents</b><br><b>5 cents</b><br><b>7.1 cents</b> | <i>Expiry date</i><br><b>30 June 2005</b><br><b>17 November 2009</b><br><b>30 June 2005</b><br><b>30 June 2005</b> |
| 7.8 Issued during the quarter  | -  | -                     | -  | -  |

**Appendix 5B - Lakes Oil N.L. (LKO)**  
**Mining exploration entity quarterly report – 31 March 2005**

|      |  |                  |   |                |  |
|------|--|------------------|---|----------------|--|
| 7.9  | Exercised during the quarter                   | -                | - |                |  |
| 7.10 | Expired during the quarter                     | <b>2,500,000</b> | - | <b>5 cents</b> |  |
| 7.11 | <b>Debentures</b><br><i>(totals only)</i>      | -                | - |                |  |
| 7.12 | <b>Unsecured notes</b><br><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.
- 3 The market value of investments in listed companies at 21 April 2005 is \$1.915,472.

Sign here:   
*Company Secretary*

Date: 21 April 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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