



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 September 2005

LAKES OIL N.L.

*Quarterly Activities Report for the three
months ended 30 September 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

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

Legal Advisors

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

Auditors

Ernst & Young
Level 33, 120 Collins Street,
Melbourne, Victoria 3000

Share Registry

Computershare Investor Services Pty. Ltd.
Yarra Falls, 452 Johnston Street
Abbotsford, Victoria 3067

Bankers

Westpac Banking Corporation
360 Collins Street,
Melbourne, Victoria 3000

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 SEPTEMBER 2005

ONSHORE GIPPSLAND BASIN

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

A review as to the use of a new centrifuge technology to separate water from oil which is situated within the Hunters Lane well is progressing.

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

Patrobus – 1 core hole was spudded on 6 September 2005. The purpose of this stratigraphic core hole was to test the hypothesis that oil, which is known to be spilling from the offshore oil and gas fields, has migrated onshore to the Marlo area. The core hole was drilled to total depth of 282 metres with no visual shows of hydrocarbon during drilling. The cores are currently being analysed to assess if hydrocarbons may have passed through the lower section drilled.

Preliminary work has commenced on the second core hole, Banjo – 1 which is due to be drilled in late October - early November. Upon completion of this two well program a joint venture will be formed with Lakes Oil N.L (46%), Gippsland Offshore Petroleum (51%) and Rilo Explorations Pty Ltd – a wholly owned subsidiary of Stellar Resources Limited (3%).

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

Geological studies centred on the Loch Sport-Seacombe area are being undertaken in this permit to increase our knowledge of the petroleum prospectivity within the general area.

- **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:

2005 FRACTURE STIMULATION PROGRAM

This program commenced in June 2005 and was completed at the end of July 2005. The entire program was conducted over the Wombat and Trifon fields. Wombat 2 was subject to one fracture while Wombat 3 was fractured at two intervals. All areas fractured flowed gas and were shut in for pressure build up to allow for further testing which will be performed in the next quarter. Within the Trifon field two fractures were performed in the Trifon well and one fracture was conducted in North Seaspray 3. Both wells were then shut in to wait for further testing in the next quarter.

ONSHORE GIPPSLAND BASIN (continued)

GEOLOGICAL AND GEOPHYSICAL

Pre-Production Feasibility Study

The study which commenced in May 2005 by Landmark Consulting Services in the USA is continuing. It is envisaged that the results will be available in the next quarter.

Drilling Boundary Creek-2 well

Planning and preparation for the drilling of Boundary Creek -2 were completed in this quarter. This well is situated on the Longford Dome and is planned as a deep exploration wildcat to intersect into the Strzelecki Group. Drilling commenced on 10 October 2005 and at the date of this report was at a depth of 1,178 metres targeting an anticipated total depth of 2,500 metres. Background gas has been recorded throughout drilling.

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

The focus within this permit is re-mapping of the western portion of the onshore Gippsland Basin. This re-mapping which also integrates data from the neighbouring permit, PEP157 and re-valuation of all well data using current technologies, will assist in identifying new leads.

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

Discussions with a large power company are continuing in an attempt to drill the Loy Yang Dome target beneath Loy Yang A and B Power Station. Geological studies conducted have identified several potential gas prospects in the Strzelecki Group structures.

OFFSHORE GIPPSLAND BASIN

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

Gilbert 1A was spudded using the “Ocean Patriot” semi submersible drilling rig on 4 October after abandoning the original site due to an obstruction which could not be moved. The well reached a total depth of 810 metres. During drilling, fluorescence shows were encountered in the Gurnard Formation and elevated gas shows were present in several zones including the Gurnard, Latrobe and Strzelecki formations. While the shows were encouraging and contributed to the model of oil and gas migrating onshore to the Marlo area, they were insufficient to be classed as a commercial discovery.

OFFSHORE GIPPSLAND BASIN (continued)

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

Interpretative and geological work is continuing within this permit. With activities occurring in both the onshore and offshore neighbouring permits, analysis of these activities will be incorporated into our studies and enhance our understanding of the prospectivity in this permit.

ONSHORE OTWAY BASIN, SOUTH AUSTRALIA

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

Planning for the completion of a geochemical survey later in the year is continuing.

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

Planning for the completion of a geochemical survey later in the year is continuing.

ONSHORE OTWAY BASIN, VICTORIA

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

No activity occurred in this permit during the September 2005 quarter.

- **PEP 163** – Onshore, Victoria
(Lakes Oil Group: 100% interest; Operator: Jupiter Energy Victoria Pty Ltd will earn 50% interest in the permit after spending the first \$1.2m of Bellarine well costs)

Results from the geochemical survey conducted in the June 2005 quarter were received from the USA contractor. Interpretation of these results and the accompanying report are being carried out at the moment.

Bellarine – 1 well commenced drilling on 23 July 2005. The main objective of the well was to test up-dip closure in the Strzelecki Group, southeast of Hindhaugh Creek -1 drilled in 1969. Bellarine – 1 was also drilled to test the secondary target, being the Pretty Hill Sandstone and its reservoir potential. The well reached a total depth of 2,139 metres without reaching the Pretty Hill Sands. However it confirmed the up-dip closure of the Hindhaugh Creek structure. Intermittent gas readings were encountered throughout much of the intersected Emueralla Formation. Subsequent evaluation has indicated the presence of gas in natural fractures and therefore the well may be fracture stimulated at a later date.

Jupiter Energy Victoria Pty Ltd contributed to the first \$1.2 million to earn a 50% interest in the permit and thereafter costs were shared 50/50.

ONSHORE OTWAY BASIN, VICTORIA (continued)

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

Results from the geochemical survey conducted in the June 2005 quarter were received from the USA contractor. Interpretation of these results and the accompanying report are being carried out at the moment. Jupiter Energy Victoria Pty Ltd hold an option to farm-in to the permit for a one third interest as a result of the completion of the Bellarine -1 well drilled in PEP 163.

EROMANGA BASIN - Queensland

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

No activity occurred in this permit during the September 2005 quarter.

- **ATP 560P – UELEVEN BLOCK** - Onshore, Queensland
(Lakes Oil Group: 25% interest; Operator: Icon Oil N.L.)

No activity occurred in this permit during the September 2005 quarter.

ONSHORE USA – San Joaquin Basin California

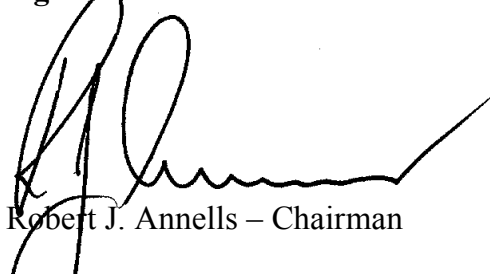
- **EAGLE PROSPECT** - Onshore, California, U.S.A.
(Lakes Oil Group: 15% working interest; Operator: Victoria Petroleum N.L.)

The operator of this permit has advised the partners that a rig has been obtained and drilling of Eagle II well will commence in the second week in November. The highly prospective Gatchell sands which are known to flow oil at rates as high as 223 barrels per day in nearby wells is the main target. 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.)

No activity occurred in this permit during the September 2005 quarter.

Signed on behalf of Lakes Oil N.L.



Robert J. Annells – Chairman

Dated 28 October 2005

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

	Current quarter \$A' 000	Year to date (3 months) \$A' 000
1.13 Total operating & investing cash flows (brought forward)	(5,845)	(5,845)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares options, etc.	4,537	4,537
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Farmin Agreement (Jupiter Energy Victoria Pty Ltd)	1,200	1,200
Net financing cash flows	5,737	5,737
Net increase (decrease) in cash held	(108)	(108)
1.20 Cash at beginning of quarter/year to date	3,799	3,799
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	3,691	3,691

**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: \$61,248

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 September 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	3,483
4.2 Development	-
Total	3,483

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)	3,691	3,799
5.2 Deposits at call	118	117
5.3 Bank overdraft	-	-
5.4 Investments in listed companies (market value)	2,368	1,668
Total: cash at end of quarter	6,177	5,584

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 September 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	1,693,621,668	1,693,621,668	-	-
7.4 Changes during quarter				
(a) Increases through issues	199,420,152	199,420,152	\$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
	36,000,000		5 cents	17 November 2009
Staff	12,900,000		7.14 cents	17 November 2009
	15,000,000		5 cents	17 November 2009
Jarden Corporation	<u>30,000,000</u>		7.1 cents	31 December 2006
TOTAL	117,900,000			
7.8 Issued during the quarter				
Directors	36,000,000	-	5 cents	17 November 2009
Staff	15,000,000	-	5 cents	17 November 2009

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

7.9	Exercised during the quarter	-	-		
7.1 0	Expired during the quarter		-		
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: 28 October 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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