



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
31 March 2003

LAKES OIL N.L.

*Quarterly Activities Report for the
three months ended 31 March 2003*

CORPORATE DIRECTORY

Directors

Robert J. Annells CPA, ASIA
(Executive Chairman)
Peter C. Dunn BE, FAusIMM, FSIA
Peter B. Lawrence BCom, MBA, FCPA

Company Secretary

Robert E. Love FCA, FCIS

Technical Consultants

Jack N. Mulready BSc, Fell. Dip. (Mgmt.) RMIT
Roger A. Meaney BSc(Hons), MSEG
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Greg J. Blackburn BSc(Hons), PhD

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Stock Exchange

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

Legal Advisors

Corrs Chambers Westgarth
Level 6, Bourke Place,
600 Bourke Street,
Melbourne Vic. 3000

Auditors

Ernst & Young
Level 33, 120 Collins Street,
Melbourne Vic. 3000

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

Bankers

Bank of Melbourne Limited
360 Collins Street,
Melbourne Vic. 3000

Share Registry

Company Secretary
c/- Computershare Investor Services Pty. Ltd.
Level 12, 565 Bourke Street,
Melbourne Vic. 3000

QUARTERLY ACTIVITIES REPORT FOR THE THREE MONTHS ENDED 31 MARCH 2003

ONSHORE GIPPSLAND BASIN

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

The Bunga Creek No. 2 corehole was drilled during February/March at the eastern end of the Lakes Entrance oil field, in an attempt to evaluate the potential for production from the Colquhoun gravels, which underlie the traditional Greensand reservoir. A basal conglomerate was encountered overlying basement metasediments, but this was strongly cemented, and had no shows.

The well was drilled approximately 700 meters north of the original discovery well for the field, Lake Bunga No. 1, and 1.9 kilometres east of Bunga Creek No. 1. The reduced section at Bunga Creek No. 2 compared with Lake Bunga No. 1 suggests the presence of a major fault between the two wells.

Bunga Creek No. 2 was cored from 320 metres RT to a total depth of 351 metres RT. The well was plugged and abandoned on 20 March 2003.

Unfortunately both Bunga Creek No. 1 and 2 wells drilled into a basement high at unexpectedly shallow depth, with no significant indications of hydrocarbons. Any further drilling will require a more complete assessment of the significance of the Bunga Creek wells.

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

The Patties Pies No. 1 exploration well, located approximately 5 kilometres south east of Bairnsdale, commenced drilling on 13 March 2003 and reached its total depth of 421 metres on 21 March 2003. The well targeted the Latrobe Group sands draped over an upthrown basement block (horst), located adjacent to local water wells which are also producing associated gas. Excellent Latrobe Group reservoirs were encountered at 300 metres depth, approximately 35 metres higher than at the nearest water bore, but no gas shows were observed. Given the presence of gas in the surrounding wells, the lack of shows is puzzling. Basement was encountered close to prognosis at 428 metres RT, confirming the structural interpretation. Further drilling may be required in order to fully evaluate this play.

ONSHORE GIPPSLAND BASIN (cont.)

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

Lakes has negotiated a farm-in with AusAm Resources Limited (“AusAm”) whereby AusAm will drill two wells, (planned to be Trifon No. 2 and Trifon No. 3), in order to evaluate the potential for producing commercial gas flows from the gas saturated Strzelecki Formation reservoirs encountered during the drilling of Trifon No. 1, Gangell No. 1 and North Seaspray No. 3. AusAm plan to drill these wells using ‘underbalanced’ drilling techniques designed to prevent damage of the reservoir due to interaction with conventional drilling fluids. Fracturing may also be required, but this cannot be determined at this stage.

Under the terms of the farmout AusAm is required to expend a total of A\$10 million within permits PEP 156, 157 and 158 to earn a 50% interest in each.

Drilling is expected to commence later this quarter with AusAm the operator for the three permits when the conditions of the Farm-in Agreement has been met.

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

There was no activity undertaken on this permit during the March 2003 quarter.

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

The Minister granted this permit in January 2003, and the acquisition and review of existing data has commenced. The permit includes most of the Latrobe Valley, and extends south to Fish Creek, north of Wilson’s Promontory. Several large Early Cretaceous age (Strzelecki Formation) targets have been mapped in the permit.

OFFSHORE GIPPSLAND BASIN

- **VIC/P47** – Offshore, Victoria
(Lakes Oil Group: Option to earn 60% interest over a portion of the permit; Operator: Eagle Bay Resources NL)

Lakes Oil together with their joint venture partner Gravity Capital Limited, have entered into an option whereby they may jointly earn an interest in a designated area of VIC/P47 currently held 100% by Eagle Bay Resources NL.

The unique “Falcon” airborne low level gravity survey is expected to commence on 16 April 2003 over the north western portion of VIC/P47 permit where a structure has been identified and named “Gilbert No. 1”.

Subject to the results of this survey Lakes Oil and Gravity Capital can elect to drill a well in the area prior to the end of calendar year 2003 to earn an interest in the designated area.

ONSHORE OTWAY BASIN

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

The Operator advises that processing and interpretation of the Honan Scrub Seismic Survey is now complete, and the Report is expected to be distributed to the joint venture partners in the near future.

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

The Koroit West No. 1 well, targeting potential reservoirs in Late Cretaceous sediments, commenced drilling on 14 January 2003, and reached its total depth of 850 metres on 20 January 2003. No shows were encountered and, after running the wireline logs the well was plugged and abandoned.

This well meets the fourth year work commitment for the permit.

Lakes Oil elected not to participate in any additional testing of the Port Fairy No. 1 well carried out in March 2003. Essential Petroleum Resources undertook this work on a sole-risk basis. The results proved disappointing, and the well was finally plugged and abandoned.

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

This permit includes the Bellarine Peninsula, and extends from St Leonards in Port Phillip Bay to west of Aireys Inlet. The permit was granted in July 2002, and review of the existing data base has commenced, concentrating initially on gas shows in the Hindhaugh Creek No. 1 well, drilled in 1969.

The Eumeralla Formation exploration play in this permit is similar to that of the Early Cretaceous (Strzelecki Formation) in Gippsland.

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

This permit includes the Colac Plains, and abuts PEP 163 to the east, extending west to Camperdown. Again, the exploration play is the Early Cretaceous age Eumeralla Formation, and gas shows have been recorded in wells drilled into the top of the Eumeralla Formation in the 1980s.

The permit was granted in October 2002 and review of the existing database has commenced.

LAKES OIL N.L.

Quarterly Activities Report for the
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OFFSHORE OTWAY BASIN

- ❑ **EPP 24** - Offshore, South Australia
(Lakes Oil Group, Operator: 100% interest)

Lakes Oil has continued its efforts to attract a major company to farm into this prospective block in the South Australia sector of the offshore Otway Basin. This block hosts the yet to be developed Troas 1 ST gas discovery.

The company intends to apply for a Retention Lease over the Troas field in preparation for production testing of this discovery. To this end a quotation for preparing the plugged and abandoned Troas 1 ST well for re-entry has been obtained. Preliminary discussions on rig availability for the deepening of the discovery well to the original but unreached target horizon have also been held.

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 2003 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 2003 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 2003 quarter. Several of the joint venture partners, including Lakes Oil, are attempting to farm-out part of their interest in order to facilitate the proposed re-entry of the suspended Eagle No. 1 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 March 2003 quarter. The Kingfisher well encountered gas shows in the Upper Monterey Formation when it was drilled in 2001. Horizontal drilling on re-entry would be required to test the potential of the reservoir. Several of the joint venture partners, including Lakes, are attempting to farm-out part of their interests.

Signed on behalf of Lakes Oil N.L.

Dated 17 April 2003

Jack N. Mulready – Technical Consultant

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 2003

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	(304)	(1,942)
(b) development	-	-
(c) production	-	-
(d) administration	(318)	(1,008)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	15	57
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Net movement in GST suspense account	(59)	152
Net operating cash flows	(548)	(2,741)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	(108)	(223)
(c) other fixed assets	(1)	(2)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	374	611
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	7	7
1.12 Other (provide details if material)	-	-
Net investing cash flows	272	393
1.13 Total operating & investing cash flows (carried forward)	(276)	(2,348)

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 March 2003

	Current quarter \$A' 000	Year to date (9 months) \$A' 000
1.13 Total operating & investing cash flows (brought forward)	(276)	(2,348)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares options, etc.	-	
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Capital raising expenses	-	-
Net financing cash flows	-	-
Net increase (decrease) in cash held	(276)	(2,348)
1.20 Cash at beginning of quarter/year to date	1,757	3,829
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	1,481	1,481

**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	105
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: \$86,250

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 2003

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	608
4.2 Development	-
Total	608

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)	1,481	1,757
5.2 Deposits at call	75	100
5.3 Bank overdraft	-	-
5.4 Investments in listed companies	348	412
Total: cash at end of quarter	1,904	2,269

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	-	-

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	800,645,655	800,645,655	-	-
7.4 Changes during quarter				
(a) Increases through issues				
(b) Decrease through returns of capital, buy-backs				
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>	36,000,000 <u>15,000,000</u> 51,000,000	-	<i>Exercise price</i> 5 cents 5 cents	<i>Expiry date</i> 30 June 2005 30 June 2005
7.8 Issued during the quarter		-		

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 31 March 2003

7.9	Exercised during the quarter	-	-		
7.10	Expired during the quarter	-	-		
7.11	Debentures <i>(totals only)</i>	-	-		
7.12	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:

Date: **17 April 2003**

Company Secretary

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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