



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 September 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

Terence M. Barr Ass.Ap.Geol. (Curtin Univ.)
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,
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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

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 30 SEPTEMBER 2004

ONSHORE GIPPSLAND BASIN

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

Work continued on locating a scout hole 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. There are anecdotal reports of oil and gas shows in a water bore at Marlo. The recently flown Falcon airborne gravity gradiometer and magnetics survey has been interpreted. This work indicates a half graben with increased sedimentary section in the Marlo area in both the onshore and near-shore sectors. The results of these surveys are being integrated with geological mapping and aerial photographic studies with a well planned for the next 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 of this lightly explored area is emerging. This work has high-graded the Lochsport – Seacombe area in particular.

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

Widespread field operations and geological/geophysical studies occurred during the quarter in this highly prospective block. The field activities included:

- **Wombat 1**

Fracture stimulation of 2 zones which flowed gas without water from cased hole drillstem tests was undertaken. These combined zones were also stimulated by the Stim Gun procedure previously with a measure of success in obtaining an increased but still not commercial gas flow along with the recovery of light oil. Following the fracture stimulation the gas flow rate decreased as did the associated light oil recoveries. A markedly increased water flow indicates that an underlying water sand has been connected to the hydrocarbon bearing sands. The water is flowing preferentially.

- **Wombat 2 Appraisal Well (*Fracturing*)**

The zone which flowed just less than 500,000 cubic feet per day from an open hole drill stem test was fracture stimulated by hydraulic means. The initial results were quite encouraging - initially flowing at a rate of 1,800,000 cubic feet per day; however, following a shut-in the rate had reduced to 620,000 cubic feet per day. The well will be reopened and flowed for an extended period to fully investigate the result of this fracturing program.

ONSHORE GIPPSLAND BASIN (continued)

- **Wombat 3**

The Wombat 3 appraisal well, located midway between Wombat 1 and Wombat 2 was spudded in late September. A major purpose of this well is to test a very strong gas show in an upper Strzelecki sand which could not be successfully tested in Wombat 2. Another reason was to investigate sands beneath the total depth of Wombat 2.

A gas zone between 2,096 metres and 2,112 metres produced an oil and gas show whilst drilling and a gas zone near the top of the Strzelecki Formation flowed gas at an estimated 3 million to 4 million cubic feet per day dropping to 65,000 cubic feet per day.

At the date of this report, the Hunt Energy drilling rig # 2 has been rigged down and released leaving the well ready for testing. The well is cased from surface to T.D. 2,178 metres

- **Trifon 2 (*Deepening and fracturing*)**

The Trifon 2 well, which is located some 50 metres from the Trifon 1 well was drilled to a depth of 2,500 metres. The well was cased and suspended and then fracture stimulated. The lowest three zones of eleven selected by U.S. Consultants were hydraulically fractured. The lowest zone flowed some gas but the upper zones flowed formation water - indicating that the fractures penetrated water bearing sands.

The Trifon wells are located on the large North Seaspray Anticline which along with the adjacent Seaspray Anticline comprise the Greater Trifon Tight Gas Project.

The Trifon Tight Gas Project is funded by Jarden Corporation Australia Pty Ltd to the extent that the first \$5 million of expenditure contributed by them will earn a 50% interest in a defined area which covers both the Trifon and Gangell structures and includes the North Seaspray 3 well. The Gangell Structure is located on the Seaspray Anticlines.

- **North Seaspray 3 (*Re-entry and Deviation*)**

The company is awaiting a coiled tubing unit for horizontal drilling in the North Seaspray 3 Well which was deepened, deviated and suspended for re-entry in the previous quarter. This preparatory work is part of another attempt to obtain commercial gas flows from the tight, gas saturated Strzelecki Group section in the Greater Trifon Tight Gas Field.

- **Geological and Geophysical**

A large scale re-mapping of all modern seismic data in PEP 157 continued. A review of all well data was undertaken to calibrate the seismic interpretation, which continues. This mapping will provide new and more accurate maps of the Trifon Tight Gas Project and the Wombat Gas Field. Several leads and prospects within the Strzelecki Group have already been identified. These are expected to be evaluated by future drilling.

ONSHORE GIPPSLAND BASIN (continued)

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

Work is continuing on re-mapping of all the modern seismic data in this permit. All relevant well completion reports have been reviewed to calibrate the seismic data. Several prospects and leads have been recognised. This re-mapping will be integrated with the previously mentioned re-mapping in the neighbouring permit, PEP 157, to provide continuous maps of the western portion of the onshore Gippsland Basin.

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

Geological studies continued in this permit in the South Gippsland Hills. Leads and prospects have been identified at Hazelwood and Loy Yang amongst others.

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 and on new play concepts in this block in the northern offshore sector of the Gippsland Basin.

Lakes Oil has received from Bass Strait Oil Company Ltd an option for the Ocean Patriot to drill a well in the four graticular blocks forming part of Vic/P47 known as the Gilbert Blocks.

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

Work on the recently acquired Falcon airborne gravity gradiometer and magnetics survey continued in this permit in Victorian territorial waters between Lakes Entrance and Marlo. Several consulting geophysicists have conducted independent interpretations of this data. The interpretation is being integrated with that in Vic/P47 and PEP 155 to identify either structural or stratigraphic traps on the migration pathways from oil fields, which are known to be spilling oil.

ONSHORE OTWAY BASIN

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

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

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

No activity occurred in this block during the September 2004 quarter.

ONSHORE OTWAY BASIN

- ❑ **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.

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

Geological and geophysical studies continued in this block centred on the Colac Plains.

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 September 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 September 2004 quarter.

ONSHORE USA – San Joaquin Basin California

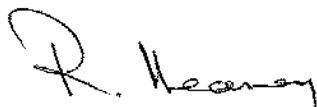
- ❑ **EAGLE PROSPECT** - Onshore, California, U.S.A.
(Lakes Oil Group: 15% working interest; Operator: Victoria Petroleum N.L.)

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 September 2004 quarter.

Signed on behalf of Lakes Oil N.L.



Roger Meaney – Technical Consultant

Dated 29 October 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")

30 September 2004

Consolidated statement of cash flows

	Current quarter \$A ' 000	Year to date (3 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	(2,572)	(2,572)
(b) development	-	-
(c) production	-	-
(d) administration	(690)	(690)
(e) capital raising costs	(85)	(85)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	38	38
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Net movement in GST suspense account	(50)	(50)
Net operating cash flows	(3,359)	(3,359)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	(335)	(335)
(c) other fixed assets	(52)	(52)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	166	166
(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	(13)	(13)
Net investing cash flows	(234)	(234)
1.13 Total operating & investing cash flows (carried forward)	(3,593)	(3,593)

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 30 September 2004

	Current quarter \$A ' 000	Year to date (3 months) \$A ' 000
1.13 Total operating & investing cash flows (brought forward)	(3,593)	(3,593)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares options, etc.	1,625	1,625
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	2,625	2,625
Net increase (decrease) in cash held	-	-
1.20 Cash at beginning of quarter/year to date	3,926	3,926
1.21 Exchange rate adjustments to item 1.20	-	-
1.22 Cash at end of quarter	2,958	2,958

**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

None

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 30 September 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	2,471
4.2 Development	-
Total	2,471

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)	2,958	2,958
5.2 Deposits at call	17	17
5.3 Bank overdraft	-	-
5.4 Investments in listed companies	2,562	2,562
Total: cash at end of quarter	5,537	5,537

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 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	1,263,281,516	1,263,281,516	-	-
7.4 Changes during quarter				
(a) Increases through issues				
(b) Decrease through returns of capital, buy-backs	32,500,000	32,500,000	\$0.05	\$0.05
	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	36,000,000	-	5 cents	30 June 2005
Staff	17,500,000		5 cents	30 June 2005
Trifon Farmin	<u>30,000,000</u>		7.1 cents	31 December 2006
	83,500,000			
7.8 Issued during the quarter	-	-		

Appendix 5B - Lakes Oil N.L. (LKO)
Mining exploration entity quarterly report – 30 September 2004

7.9	Exercised during the quarter	2,500,000	-	\$0.05	\$0.05
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: **29 October 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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