



A.C.N. 004 247 214

Lakes Oil N.L.

ASX
Announcement
22 June
2009

www.lakesoil.com.au

LAKES OIL N.L.

RE-EVALUATION PROGRAM UPDATE

WOMBAT 3

Testing continued at Wombat 3 over the weekend, with oil continuing to flow into the wellbore from the lower zone at 2,106m. The oil flow is coming from a natural fracture that was previously hydraulically stimulated.

At this stage, it has been difficult to measure the fluid inflow from the lower zone as gas and water from the upper zone at 1,420m is flowing into the wellbore at a higher rate and therefore impeding the oil flow from the lower zone.

Our plan is now to run a production tubing string into Wombat 3 down to the oil zone which will enable us to more accurately assess the flow rate that can be achieved from the lower zone. We expect the flow rate to improve as the oil will not be impeded by the water flow from above. The reduced diameter of the production pipe will also assist in increasing the flow.

Our other options include:

- Pumping oil to surface
- Further hydraulic fracturing of the oil zone
- Horizontal drilling

We are delighted with the results from Wombat 3, which has produced the first free flowing oil onshore in the Gippsland Basin from the Strzelecki Group (Bass Strait oil flows from the Latrobe Group).

Operations at Wombat 3 have now been suspended pending the arrival of production equipment shortly.

NORTH SEASPRAY 3

We are today moving the coiled tubing unit to North Seaspray 3 to begin the removal of fracture fluid that was left in the well when it was originally hydraulically fractured in 2005. This should allow an unimpeded flow of gas from the 1,110m zone of interest.

WOMBAT 2

Fracing equipment began arriving yesterday and it is expected that this well will be re-fracced within the next two days. The objective is to increase the existing frac length considerably from 86 feet. The previous fracture stimulation at 1,470m placed approximately 72,000 lbs of proppant into the formation. Our plan is to place a further 180,000 lbs of proppant into the formation to increase the effective frac length to between 250 and 300 feet.

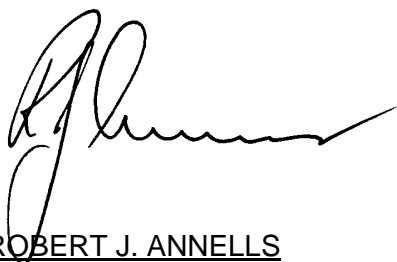
This is designed to increase the sustained flow rate at Wombat 2 from the current 680,000 cfd to a much higher rate which would be considered commercial.

Registered Office:
Level 14,
500 Collins Street
Melbourne Vic 3000
Ph: +61 3 9629 1566
Fax: +61 3 9629 1624



Gaffney Cline Associates has assessed the P50 contingent recoverable gas resource of the whole Wombat field at 293 bcf. This demonstrates the potential large size of the Wombat structure, and by achieving commercial flows from the wells we will have opened up a valuable new Victorian energy resource. Moreover, the gas contains 98% methane and virtually no carbon dioxide, unlike other gas being used in Victoria.

Lakes Oil N.L.



ROBERT J. ANNELLS

Chairman



INGRID CAMPBELL

Chief Geologist

Lakes Oil N.L.
'an unconventional oil & gas company'
www.lakesoil.com.au