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Lakes Oil N.L.

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Announcement
And Media
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LAKES OIL'S YALLOURN POWER 1 STRATIGRAPHIC COREHOLE SEEKS OIL SOURCE ROCKS – PEP 166, GIPPSLAND BASIN

Directors of Lakes Oil N.L. (ASX: LKO) and Armour Energy Ltd (ASX: AJQ; contributing 25%) announce today that the drilling rig and equipment are currently mobilising to the site to drill a new stratigraphic corehole in PEP 166, near Yallourn Power Station.

This well is designed to further Lakes' knowledge of the carbonaceous source rocks previously encountered in Yallourn North 1A corehole which was located along the northern edge of the Gippsland Basin and contained traces of oil. (see map attached)

The Company believes that this carbonaceous sequence thickens towards the deeper part of the central onshore Gippsland Basin and our technical team expects to encounter a much thicker interval at the Yallourn Power site than at our earlier well at Yallourn North.

This carbonaceous sequence has the potential to produce oil wherever it is present and is thought to be the source of the live oil already recovered in Wombat 3 and encountered in many other Lakes' wells. Lakes believes it may also be an additional source of the offshore oil in Bass Strait.

Lakes Oil views this well as a significant step in the understanding of the petroleum geology of the Gippsland Basin, as it may confirm Lakes' view that it may be possible to recover oil from carbonaceous rocks in the onshore Gippsland Basin. In the USA, oil is currently being produced from similar source rocks and shales.

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ROBERT J. ANNELLS

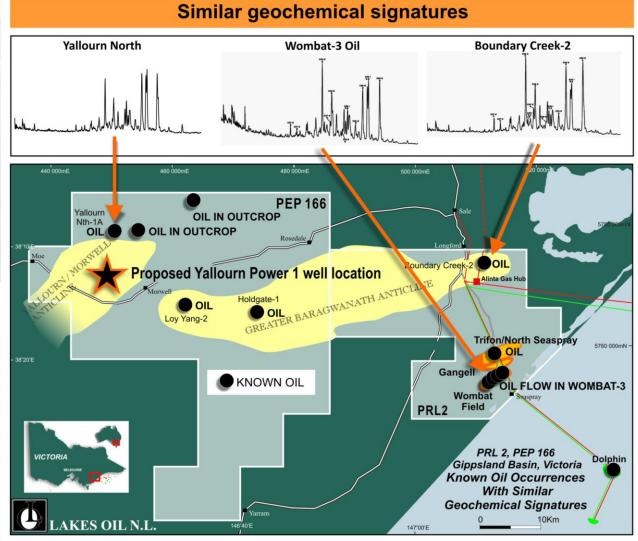
Chairman

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Potential New Oil Play - Onshore Gippsland Basin







Oil has been extracted from basal units of the onshore basin and from all Lakes Oil wells to date with approx. 8 bbl live oil recovered in Wombat 3