



LAKES OIL N.L.

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24 March 2004

The Manager - Companies,
Australian Stock Exchange Limited,
Stock Exchange Centre,
530 Collins Street,
MELBOURNE VIC. 3000

Dear Sir,

**WOMBAT 1 RE-ENTRY AND TESTING
PEP 157, ONSHORE GIPPSLAND BASIN, VICTORIA**

Lakes Oil ("LKO") advises that the "Stim" mini frac planned for yesterday Tuesday 23 March 2004 again did not eventuate.

It is our belief that the detonation charge down hole has not ignited.

We will now bring the equipment including the charge and detonator to surface for inspection by onsite representatives of Halliburton Australia. This is expected to take two days.

While the well was "open to surface" substantially increased amounts of gas were noted, as the well attempted to clean itself up. Drilling filtrate and what appears to be pulverised coal previously trapped in the formation is being forced to the surface by the increasing gas flow.

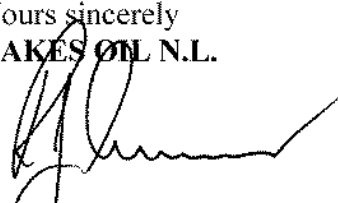
We expect even further increases in gas flow to occur, after successful completion of the "Stim" test.

A small amount of liquid hydrocarbons also came to surface. A sample was collected for analysis.

Lakes continues to be encouraged by the ongoing results of this well.

Directors are of the view that the market may not be fully informed pending the results of the testing and request that the trading halt continue until these results are available.

Yours sincerely
LAKES OIL N.L.



ROBERT J. ANNELLS
Chairman