



LAKES OIL N.L.

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19 August 2004

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

Dear Sir,

**PEP 157 – ONSHORE GIPPSLAND BASIN, VICTORIA
UPDATE WOMBAT 1 AND 2 FRACTURE STIMULATION PROGRAM**

Lakes Oil ("LKO") advises that its service contractor Halliburton Australia Pty Ltd performed a fracture stimulation on the Wombat 2 well late Wednesday 18 August 2004.

The stimulation was performed over a perforated interval 1469 to 1476 metres, which was designed to stimulate a sandstone reservoir intersected between 1454 metres and 1509 metres.

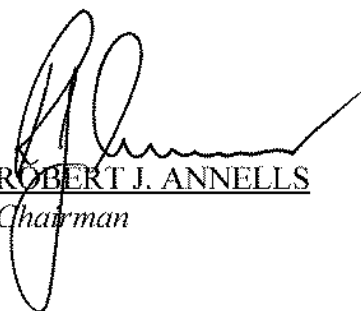
A total of 80,000 lbs of ceramic proppant was placed using 50,000 gallons of nitrogen foam frac fluid at an average surface pressure of 5,200 psi.

Currently the well is returning nitrogen and fracing fluids to surface.

A full assessment of the well will be made after these fluids have been "unloaded" and gas is flowing to surface. This is expected later today.

The Wombat wells are located in PEP 157. An overriding royalty of 5% of the wellhead value of any hydrocarbon production is payable to Roma Petroleum N.L. a former permit holder.

Yours sincerely
LAKES OIL N.L.



ROBERT J. ANNELLS
Chairman