



LAKES OIL N.L.

(A.C.N. 004 247 214)

Registered Office:
Level 11
500 Collins Street
Melbourne Vic. 3000
Telephone: (03) 9629 1566

Postal Address:
P.O. Box 300
Collins Street West
Melbourne Vic. 8007
Facsimile: (03) 9629 1624

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

Dear Sir,

PEP 157 – ONSHORE GIPPSLAND BASIN, VICTORIA WOMBAT 2 POST FRAC REPORT

Lakes Oil ("LKO") advises that the Wombat-2 well was opened yesterday through the Expertest separator to gauge the production rates of the well. The well flowed at a maximum rate of 1,650,000 cubic feet per day through a 22/64" choke with a wellhead pressure of 650psi. The choke was opened wider to a 26/64" due to hydrate blockages at the choke and a stabilised flow of 625,000 cubic feet per day of gas and 5 barrels per million cubic feet per day of condensate at 210psi was recorded. The well will be shut in to allow the build up pressures to be recorded on the downhole gauges, previously run by Expertest and for the analysis of the gas and condensate samples to be carried out.

While the sustained flow is lower than we anticipated several factors will now be assessed in relation to the results. We are not sure of the effects of condensate dropping out of the gas, it is possible that the condensate dropping out of the gas is inhibiting its flow through the reservoir, a study will be needed to be carried out when we obtain down hole well pressures to assess this possibility.

Wombat 2 well was shut in for a week before production testing took place, it is possible that the pore throats of the reservoir have partially closed off during this period through swelling clays. This is not an uncommon event with similar wells in the USA. Where if possible they try to not shut off the wells after fracturing and because of close infrastructure, they are able to connect immediately to pipelines.

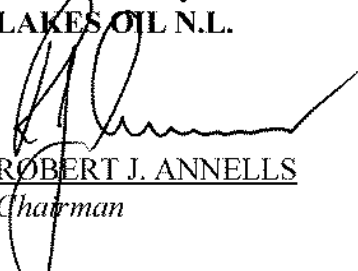
It should also be noted that Wombat 2 only drilled to 1500m and did not therefore intercept the entire gas column seen in Wombat 1. This will be addressed in Wombat 3 which is designed to drill to 2500 metres.

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.

Trifon-2 Update

The wellhead pressure is gradually building after being shut in and rigging down of the Hunt Energy Rig 2 has commenced in preparation for the rig to be moved to the Wombat 3 site.

Yours sincerely
LAKES OIL N.L.


ROBERT J. ANNELLS
Chairman

*Internet Site: www.lakesoil.com.au
Email Address: lakes@lakesoil.com.au*