



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

20 September 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
“WOMBAT 3” WELL**

Lakes Oil N.L. (“LKO”) advises that the Hunt rig is on site and “rigging up” to commence the drilling of the Wombat 3 well on Wednesday 22 September 2004.

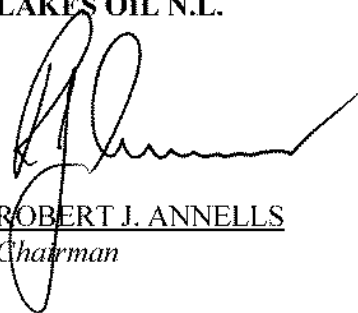
The well is located mid way between Wombat 1 and Wombat 2, approximately 1 km from each. The programmed depth is 2500m and is designed to confirm continuity of production between Wombats 1 and 2, such that a reserve base can be established.

The Wombat 1 and 2 wells were previously drilled to 1900m and 1500m respectively, and both have revealed a number of areas within the Strzelecki Group suitable for fracture stimulation. At this stage one zone in Wombat 2 and three combined zones in Wombat 1 have been fractured. This has left a number of untested areas in Wombat 1 and 2.

In Wombat 2 the zone between 1399-1428m, flowed 217,000 cubic feet per day during an open hole DST at the time of drilling, above the successfully fractured zone at 1463-1497m. As the successfully fractured area flowed gas at a sustained rate of 620,000 cubic feet per day, it is possible that a combined flow rate approaching 1,000,000 cubic feet per day could be achieved if both zones respond successfully.

Wombat 3 is being drilled to a total depth of 2,500m (which is the capacity of the drilling rig) in an effort to evaluate the extent of the gas saturation in the Wombat structure. This is being evaluated because the Trifon structure approximately 8 km to the north has exhibited an extensive gas column down to 2,500m. Of primary interest in Wombat 3 is the equivalent top Strzelecki Group reservoir which returned a gas show of 3,500 units when it was drilled. For mechanical reasons this gas was not able to be validly tested. Wombat 3 however, will be engineered in such a way as to allow this interval to be evaluated as it is intended to drill the top of the Strzelecki Group underbalanced, to enable the potential flow capacity to be understood.

Yours sincerely
LAKES OIL N.L.



ROBERT J. ANNELLS
Chairman