



LAKES OIL N.L.

(A.C.N. 004 247 214)

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29 September 2004

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

Dear Sir,

**WOMBAT 3 DRILLING UPDATE
PEP 157, ONSHORE GIPPSLAND BASIN, VICTORIA**

Lakes Oil ("LKO") advises that at 6:00 AM this morning the well was at 803 metres and drilling ahead. The top of the Latrobe Group was intersected at a depth of 746 metres.

This well has been designed to test the gas sands occurring within the Strzelecki formation, which occurred in Wombat 1 and 2.

Wombat 3 is located mid way between Wombat 1 and 2, approximately 1 kilometre from each well.

The Wombat Block is 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 holder of the permit.

Yours sincerely
LAKES OIL N.L.

ROBERT J. ANNELLS
Chairman