



LAKES OIL N.L.

(A.C.N. 004 247 214)

Registered Office:
Level 11,
500 Collins Street,
Melbourne Vic. 3000

P.O. Box 300, Collins Street West,
Melbourne Vic. 8007
Telephone: (03) 9629 1566
Facsimile: (03) 9629 1624

4 October 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 1373 metres, having reached the casing point over the weekend.

The top of the Volcanics were intersected at 1361m, 74m higher than in Wombat-1 (SS) and the top of the Strzelecki Formation was intersected at 1373m, 110m higher than in Wombat-1 (SS). A gas show of up to 198 units was recorded at the top of the Strzelecki Formation at the volcanic/sand interface. Casing will now be run prior to drilling ahead underbalanced into the top of the Strzelecki formation.

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