



LAKES OIL N.L.

(A.C.N. 004 247 214)

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6 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 the drilling contractor was preparing the rotating head prior to drilling ahead "under balanced", into the top of the Strzelecki Formation. This is expected to take place late today.

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