



LAKE 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,

ACTIVITY UPDATE

Patrobus 1 Stratigraphic Core Hole PEP 155 Eastern Block, Onshore Gippsland Basin, Victoria

Lakes Oil N.L. (ASX code "LKO") as operator advises that whilst drilling the "top hole" a conglomerate in an old river bed was encountered causing a delay. A cable tool rig was brought in to drill through the conglomerate and temporary surface casing has now been run. It is expected that drilling with the coring rig will re-commence on Wednesday.

Gilbert – 1 Well VIC/P47 Offshore Gippsland Basin, Victoria

The joint venture has been advised the "Ocean Patriot" semi-submersible rig should be available to move on site within the next two weeks to commence the drilling of the Gilbert – 1 well. Lakes Oil has a 26% free carry through the drilling of this well to casing point. We expect drilling to take approximately seven to ten days. Our targets in this well are the Gurnard and Latrobe Formations expected to be reached at approximately 600 metres.

Boundary Creek – 2 Well PEP 157 Onshore Gippsland Basin, Victoria

An environmental study has been completed and work on the drilling pad is expected to commence early this week. It is anticipated that drilling will commence on approximately 3 October 2005. This well is a follow up well to our Boundary Creek – 1 core hole drilled August 2001 which encountered strong gas shows, but was only drilled to 366 metres. Examination of the well logs from two wells drilled near Longford on the Baragwanath Anticline suggest the possibility that tight gas may be present in those wells. However as they were drilled in the early 1960's there was little interest in tight gas at a time when gas prices were low and there was no infrastructure.

The Baragwanath Anticline, a huge Anticline in excess of 70 kilometres in length, has been ignored because the productive offshore Latrobe Formation comes to the surface and is breached. The experience Lakes Oil gained from drilling the Wombat and Trifon wells has lead us to believe the possibility of commercial gas existing below that formation in the Strzelecki Formation. This will be a most interesting well with considerable ramifications if we are correct.

Wombat – 1 and 3 wells
PEP 157 Onshore Gippsland Basin, Victoria

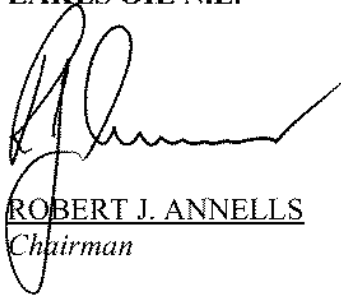
During the past week the Wombat 1 and 3 wells were opened. The amount of gas coming to surface appears to have increased. It has been decided to again connect both these wells to a separator to separate out any liquids and establish an accurate measurement of the gas flow.

During the flow back of the Wombat – 3 well slugs of oil where observed on the surface. This is consistent with the oil which flowed into the well when it was originally opened. We still do not fully understand this occurrence, however we may have a better understanding after the well has been flowed through the separator.

Eagle Prospect
Onshore California, U.S.A.

Lakes Oil has been advised by the operator that a rig has been obtained and drilling of the Eagle II well is expected to commence the first week in November 2005.

Yours sincerely
LAKE OIL N.L.



ROBERT J. ANNELLS
Chairman