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Lakes Oil N.L.
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LAKES OIL N.L.

WOMBAT 4: Testing continues across the Strzelecki and Latrobe reservoirs – gas flows to surface.

Lakes Oil N.L. announces that its Wombat 4 well, onshore Gippsland Basin, is currently evaluating and testing selected intervals for both oil and gas.

Over the last week, the Company has conducted four drill stem tests (DSTs) in the **Strzelecki Group** across the following intervals selected from log evaluation: 1383-1478m; 1828-1838m; 1381-1406m; 1451-1476m. All zones flowed gas to surface at indeterminate flow rates, confirming the presence of gas and the tight nature of the reservoir.

Evaluation of the electric logs by our US consultants indicates that the entire Strzelecki Group section (1350-2500m) appears to be gas saturated and most of the reservoir sands contain tight gas. The gas composition contains C1 to C5 hydrocarbons. However, normally tight gas does not flow without the reservoir being fracture stimulated. Tight gas targets will be selected for future fracture stimulation following advice from our US consultants.

We are very pleased with these DST results, particularly that gas flows were produced from these tight reservoirs, which are aided by the presence of natural fractures providing pathways for mobility of fluids and gases. Identification of liquid hydrocarbons from electric logs, DST#1(1383-1478m) analysis and core data indicates that both oil and condensate are also present in the Strzelecki Group.

The first test of the **Latrobe Group** over the interval between 1171-1174m produced a small amount of wet gas (C5+) to surface before the test tool failed. This zone will be re-tested.

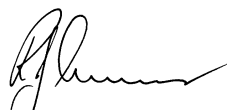
In the coming week, two additional DSTs will be run across higher intervals within the Latrobe Group that have been identified by expert consultants. The selected test targets are three of several potential hydrocarbon bearing intervals that have been identified in the Latrobe Group.

Following the testing program, 4-1/2" casing will be set from surface to T.D. (2500m) across the Strzelecki Group in preparation for later hydraulic fracturing. Further evaluation of all results is continuing.

We believe the results so far encountered are extremely encouraging; the hydrocarbon compositions are significantly different from other Wombat wells and the Latrobe Group reservoirs appear to be hydrocarbon bearing at this location. These results have opened up a range of new possibilities for hydrocarbon potential in the western portion of the Wombat structure.

Signed

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Lakes Oil N.L.
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