



A.C.N. 004 247 214

Lakes Oil N.L.

ASX
Announcement
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www.lakesoil.com.au

Letter to Shareholders Summary from Quarterly Report

WOMBAT 2 RE-ENTRY AND RE-FRAC GAS ZONE WOMBAT 3 RE-ENTRY AND TEST GAS AND OIL ZONES NORTH SEASPRAY 3 RE-ENTRY AND FLOW TEST GAS ZONE

Our corporate developments in the coming period will include the implementation of a field operations program in PRL 2 that we believe will see us moving towards commerciality of tight gas in the Wombat field.

Our objective is to re-enter **three wells** in PRL 2. The work-over in Wombat 2 is designed to achieve a commercial flow from an existing gas zone which has previously been fracture stimulated. It must be remembered that there are still many other untested zones in all wells that have not been fracture stimulated. The wells selected for the work over program are Wombat 2, Wombat 3 and North Seaspray 3.

During this current slowdown of activity in the industry, we believe this program will provide us with the maximum potential for unimpeded commercial hydrocarbon flows to be achieved, without incurring the levels of costs that would be associated with drilling and fracturing a new well, such as Wombat 4.

Proposed Operations

The following operations are scheduled for our wells during the next quarter, once all required approvals have been granted:

- **North Seaspray 3:** re-entry using coiled tubing unit, nitrogen lift clean-out and **flow test the gas zone at 1,110m depth** over an extended period.
- **Wombat 2:** re-entry, **re-fracture and flow test the gas zone at 1,470m depth** with a much larger fracture geometry.
- **Wombat 3:** re-entry, nitrogen lift clean-out and **flow test the gas zone at 1,430m depth and the oil zone at 2,106m depth**, which were fracture stimulated in 2005.

These proposed operations are designed to clean up the wells in order to allow the gas/oil zones to flow unimpeded to the surface.

The company believes that this work-over program can achieve good results from the existing wells, advancing the company towards commerciality of tight gas production in PRL 2.

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Additional Independent Assessments in PRL 2

The independent assessment of the Wombat Field in PRL 2 previously conducted by Gaffney Cline and Associates estimated a potential P50 contingent resources in the Wombat field of 700Bcf of gas in place and a potential recoverable resources of 293Bcf.

Lakes Oil NL has now commissioned the consulting group to provide us with an independent evaluation of the Trifon and Gangell fields in PRL 2, which will include results from the proposed testing at North Seaspray 3. Results of this evaluation are expected to be completed in the next two months. The evaluations will provide us with a much better perspective of the undeveloped tight gas resource contained in the Strzelecki Group in the southern part of PRL 2.

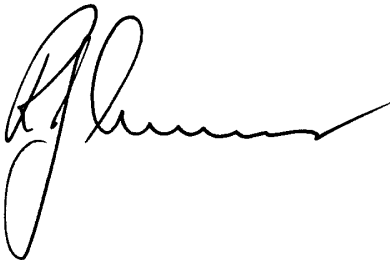
Proposed Wombat 4 Drilling Date Delayed

Due to the current high costs of moving a rig to the Gippsland region it has been decided to defer the drilling of Wombat 4 for the time being. The company rates the proposed location very highly and is hoping that drilling costs will return to normal over the next 12 months at which time we will again look at drilling Wombat 4.

Cape Energy Group SA – Golden Beach Field

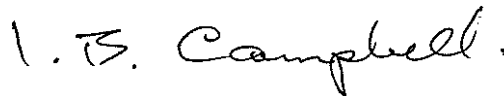
Discussions are continuing at a subdued rate due to the current world economic slowdown.

Lakes Oil N.L.



ROBERT J. ANNELLS

Chairman



INGRID CAMPBELL

Chief Geologist

Lakes Oil N.L.
'an unconventional oil & gas company'