



# LAKES OIL N.L.

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9 May 2008

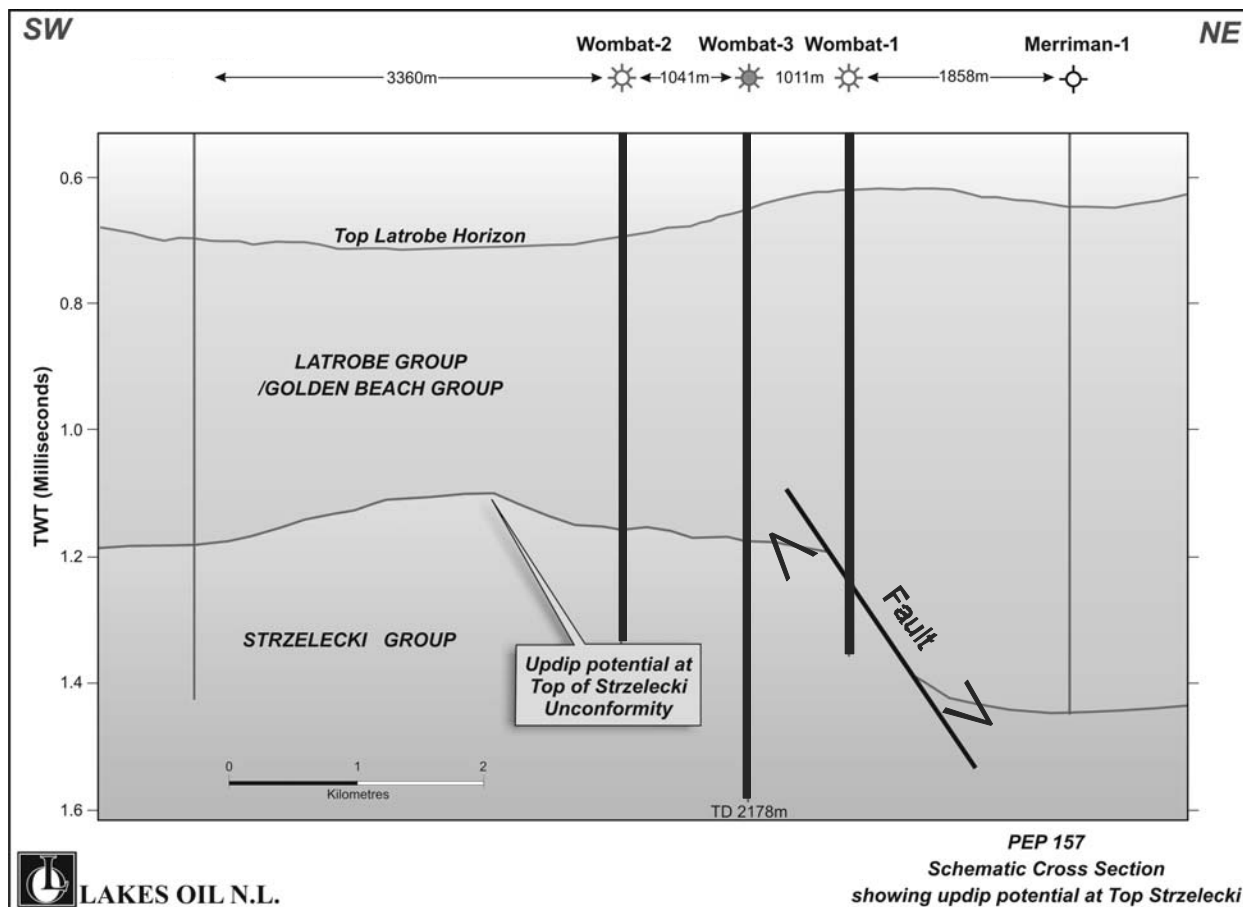
## Letter To Shareholders Encouraging Results From Wombat 3D Seismic

Further to our ASX release of the 1<sup>st</sup> May 2008, work is proceeding on the interpretation of 3D over the Wombat structure.

Below is a preliminary schematic of the Wombat structure which shows that Wombat 2, our most promising well, which initially flowed at a rate of 1.2mmcf. It later flowed at a sustained rate of 680,000mmcf from one fractured stimulated zone. It now appears that this well was drilled approximately 1.6 km downdip from the top of the Strzelecki high.

Interpretation is continuing focusing on the higher section of the Structure as it is possible that there may be better permeability due to weathering at the top. Should this be the case it may be possible to recover gas at sufficient flow levels to avoid the hydraulic fracturing we have undertaken in the three Wombat wells to date and thereby substantially reduce costs.

Subject to successful capital raising from the current shareholder issue it is proposed to drill Wombat 4 as soon as possible. As a result of the new 3D interpretation it would appear there is an excellent chance that the "gas in place" potential of Wombat may have significantly increased.



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PEP 157  
Schematic Cross Section  
showing updip potential at Top Strzelecki

3D Wombat schematic

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**Note:**

The Company considers that it may not be prudent to publish our new estimates of gas potential that the entire Wombat structure may contain, as it may be contrary to new direction the corporate regulators are taking to tighten up reporting of estimated gas-in-place volumes. However, shareholders are reminded that previous estimates of gas-in-place were 535.4 bcf. This was reported to shareholders in July 2006.

However in view of the historically low price of Lakes shares, resulting in a very low market capitalisation (less than the cost of one offshore well), we are concerned that these low levels could leave the Company vulnerable to takeover.

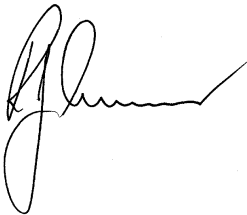
It is therefore important that shareholders understand the implications of improved potential for the Wombat field in view of the new information being unlocked as a result of the 3D seismic survey.

We know from this early interpretation (while still not finished) that there is further updip potential 300m higher than our Wombat 2 well which is the best of our wells on the structure.

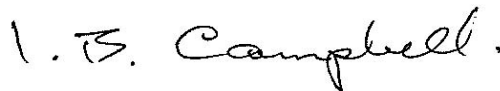
This potential along with the indication that the updip potential would appear to extend over a 3.3 km length has the ability to add significantly to the gas-in-place volume in the Wombat structure.

It is also probable we will find a better reservoir at the top of the structure and therefore better flow potential. This leads Lakes Oil to believe it has discovered a major new Victorian asset at a time when gas prices are starting to move upward and consumers are calling for new suppliers on the East coast.

**LAKES OIL N.L.**



ROBERT J. ANNELLS  
*Chairman*



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*Chief Geologist*

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