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Lakes Oil N.L.

Letter to  
Shareholders  
29 October  
2008

www.lakesoil.com.au

# Lakes Oil N.L.

## Independent Resource Assessment Unconventional Strzelecki Prospects - Wombat Field

Lakes Oil N.L. is pleased to announce that it has received the results of two independent market evaluations of the Wombat Field contained in PRL 2, onshore Gippsland Victoria.

These figures have been released to shareholders to enable them to better understand the valuation of their company which is currently selling on the ASX at 0.4 cents giving a market valuation of \$A16.8m with \$A7m of cash in the bank.

### Gaffney, Cline & Associates Pty Ltd

An independent technical assessment of the commerciality of the Lower Cretaceous Wombat Field in Petroleum Retention Lease 2 (PRL 2) in the Gippsland Basin was conducted by Gaffney, Cline & Associates.

The report was commissioned following Lakes' Wombat 3D seismic survey (a first for onshore Gippsland) and provides a review of the following elements:

- A probabilistic resource assessment of the Wombat Field in accordance with the Petroleum Resource Management System, standard (March 2007);
- An integrated geological, geophysical and reservoir engineering interpretation of all data over the Wombat Field area;
- Identification and mapping of any upside potential associated with the field;
- A study of the gas market potential available for Wombat gas;
- An integrated conceptual development plan to commercialise the field;
- Estimated capital and operating costs for the conceptual development plan.

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A summary of the contingent resource estimates by Gaffney, Cline & Associates is given in the table below.

**Wombat Field –  
Summary of Gas Initially In-Place and Contingent Gas Resources\***

	Gas Initially In Place (GIIP)		
	P90	P50	P10
<b>Gas Initially In-Place (GIIP) (Bscf)</b>	497	700	936
	Contingent Gas Resources (Gross 100% Interest)		
	1C	2C	3C
<b>Estimated Ultimate Recovery (EUR) (Bscf)</b>	211	293	394

\* **Source:** Gaffney, Cline & Associates, Independent Technical Assessment Report on Wombat Field, Victoria, [October] 2008.

The report confirms Lakes' view that the unconventional Wombat Gas Field is a highly prospective, yet to be developed hydrocarbon resource.

**Palliser Strategic Management and Langusch & Associates**

Lakes Oil N.L. also commissioned Palliser Strategic Management and Langusch & Associates to provide an independent asset evaluation in PRL 2 base on implied values associated with preliminary commercialization plans for this underdeveloped unconventional gas resource. Based on a range of in situ risk-adjusted values calculated from the project modeling and implied trade sale values from recent CSM activity, their P50 value range for the Wombat Field 2C resource case is between \$A50m-\$A88m.

The results of the asset evaluation provide the following implied risk adjusted in situ valuation range for the Wombat Field:

In situ Gas Resource Range of Values – A\$ million		
Case	P 50	P 10
<b>1C</b>	38-63	67-112
<b>2C</b>	50-88	92-163
<b>3C</b>	51-118	89-204

**Source:** Palliser Strategic Management and Langusch & Associates, Lakes Oil NL Summary of Asset Evaluation in RL2, Wombat and MacAlister Fields – Gippsland Basin, Victoria, October 2008.

**Note:** 1) The gas resource values are highly sensitive to the east coast gas market prices.  
2) Valuation is based on conservative gas price estimates of \$3.75/GJ in 2008 and ranging from \$5.33/GJ to \$8.23/GJ by 2016.

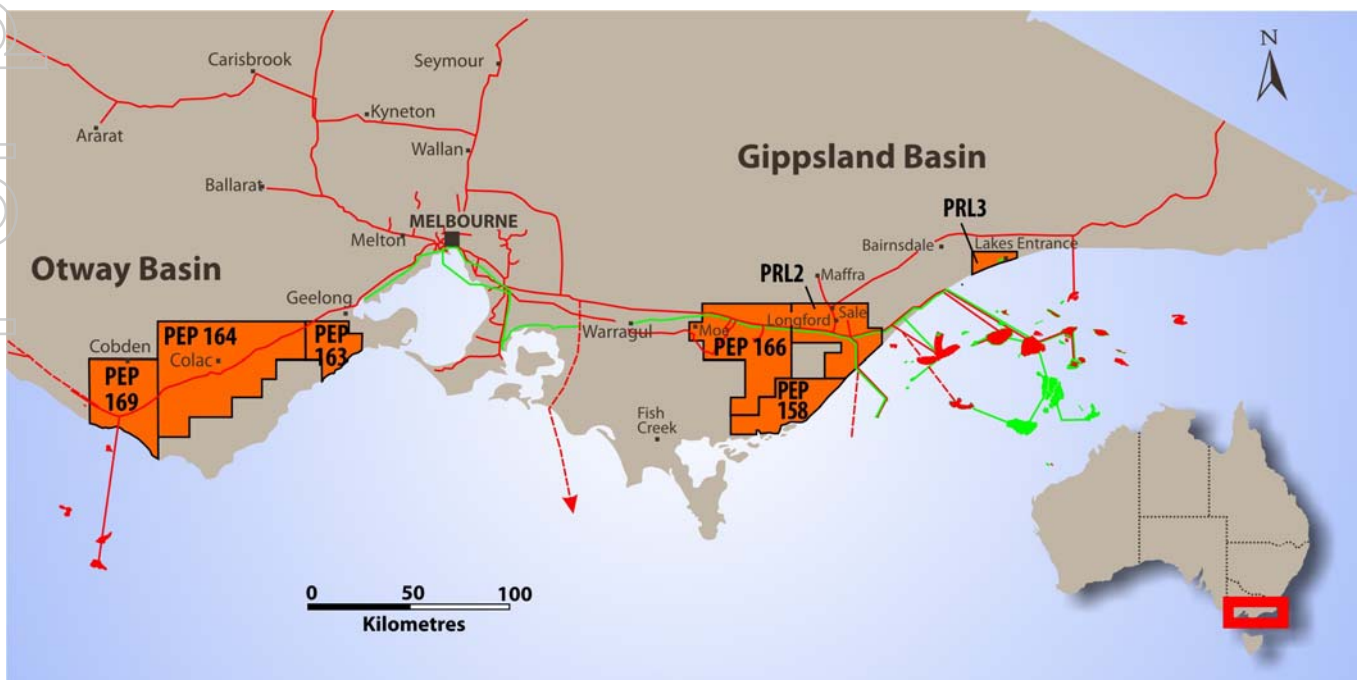
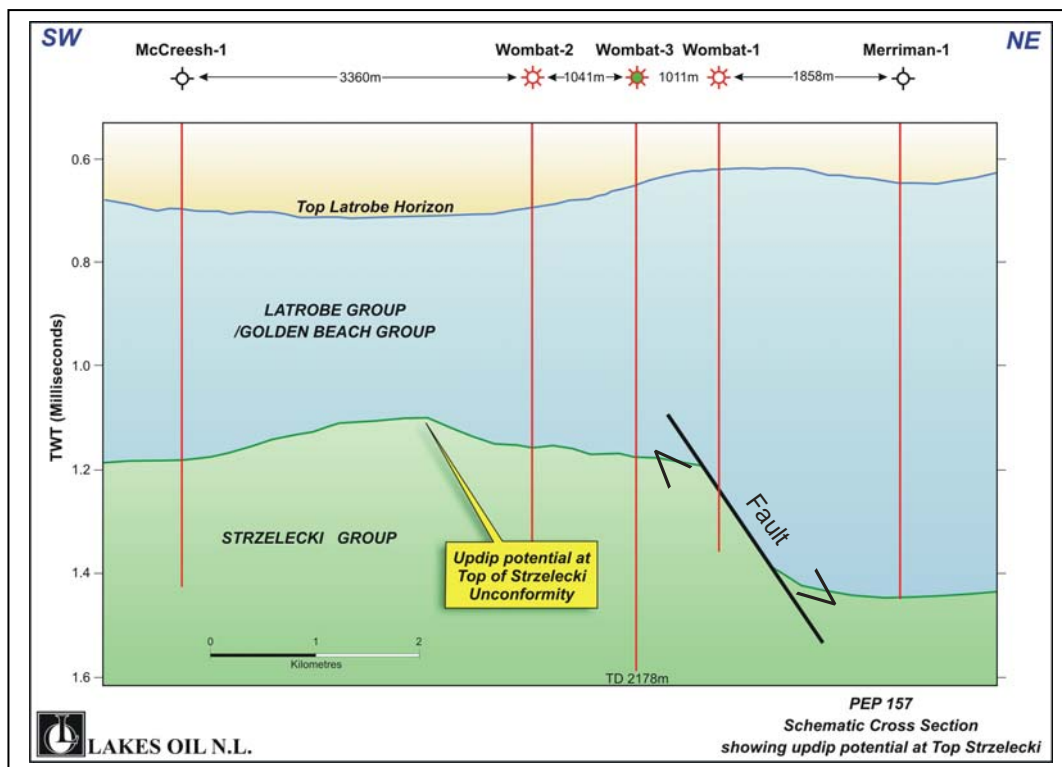
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These two independent reports confirm our view that the Wombat Gas Field is a highly prospective undeveloped unconventional gas resource contained in the Strzelecki Group in PRL2. The play is similar to several major unconventional plays that are successfully producing tight gas in the USA, including the very large Pinedale Anticline in Wyoming.

Lakes Oil N.L. has spent \$A1.5 million earlier this year in PRL2 to conduct the first ever 3D seismic survey in the onshore Gippsland Basin and is now preparing to drill Wombat 4 in the optimum updip position based on this new interpretation, subject to regulatory approval and rig availability.

Lakes Oil N.L. is not disturbed by the turmoil in the worlds' oil and gas markets and intends to pursue its current tight gas objectives.

### Schematic Wombat Structure



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**Glossary**

A\$	Australian dollars
Bscf	Billion standard cubic feet
1C	Low estimate Contingent Resources
2C	Best estimate Contingent Resources
3C	High estimate Contingent Resources
EUR	Estimated Ultimate recovery
GJ	Gigajoule (10 <sup>9</sup> joules)
GIIP	Original Gas In Place
J	Joule
P10	10% Probability
P50	50% Probability
P90	90% Probability
p.a.	Per annum
PJ	Petajoule (10 <sup>15</sup> joule)
Scf	Standard cubic feet

**CONTINGENT RESOURCES**

Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.

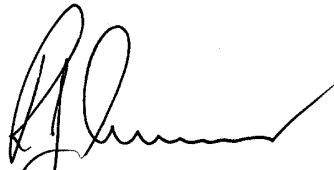
Contingent Resources may include, for example, projects for which there are currently no viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality. Contingent Resources are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by their economic status:

- 1C low estimate
- 2C best estimate
- 3C high estimate

**Disclaimer**

*Lakes Oil N.L. wishes to emphasize that the report's references are based on a large number of assumptions, are subject to a large number of risks and there is a large degree of uncertainty associated with them. The potential numbers should not be assumed to represent future reserves, which will depend on a variety of factors including the need to confirm their existence and characteristics and the ability to extract them in a commercial and cost effective manner.*

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



**ROBERT J. ANNELLS**  
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