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Lakes Oil N.L.
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WOMBAT 4: TIGHT GAS DISCOVERY

- **Tests show that Wombat 4 is a tight gas discovery in Strzelecki Group**
- **Wet gas encountered in Latrobe Group.**

Lakes Oil N.L. announces that its Wombat 4 well, onshore Gippsland Basin, has completed its testing program and is currently setting 4-1/2" casing from surface to T.D. (2500m) across the Strzelecki Group in preparation for later hydraulic fracturing.

Over the last week, the Company has conducted three closed hole drill stem tests (CHDSTs) in the **Latrobe Group** over the following intervals selected from log evaluation: 1123-1126m; 1171-1174m; 1109-1112m. CHDSTs are tests conducted through perforations in the casing across the test zones in order to prevent collapse of loose formations around the test tools. After several attempts to secure the test tools and prevent the influx of reservoir water and sand into the perforations, all three test intervals flowed small amounts of gas/wet gas to the surface at indeterminate flow rates. These tests in the Latrobe Group show that hydrocarbons are clearly present in the onshore equivalents of the offshore producing fields in Bass Strait.

Following the successful testing of the **Strzelecki Group** during the previous week, 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 (methane) to C5 (pentane) hydrocarbons. However, commonly 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 top Strzelecki Group, which opens up a new possibility of recovering liquids from the formation after hydraulic fracturing.

Further evaluation of all results, including electric logs, will continue as well as re-evaluation of nearby Latrobe features to better understand the onshore Latrobe Group.

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

Lakes Oil N.L.

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