



A.C.N. 004 247 214

Lakes Oil N.L.

**Letter to
Shareholders
22 October
2008**

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Lakes Oil N.L.
Receives Results of
Independent Resource Assessment of Wombat Field
Unconventional Strzelecki Prospects

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.

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 and provides a review of the following elements:

- A probabilistic reserves and resource assessment of the Wombat Field in accordance with the Petroleum Resource Management System, 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 to Wombat gas;
- An integrated conceptual development plan to commercialise the field;
- Estimated capital and operating costs for the conceptual development plan;

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 |
| Gas Initially In-Place (GIIP) (Bscf) | 497 | 700 | 936 |
| | Contingent Gas Resources (Gross 100% Interest) | | |
| | 1C | 2C | 3C |
| Estimated Ultimate Recovery (EUR) (Bscf) | 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. has also commissioned Palliser Strategic Management and Langusch & Associates to provide an independent asset evaluation in PRL 2. Their mid range valuation for gas in place in the Wombat Field is estimated at between \$A50m - \$A88m, based on a conservative gas price of \$0.30/GJ.

The results of the asset evaluation provide the following implied valuation range for the Wombat Gas Field:

| Insitu Gas Resource Range of Values – A\$ million | | |
|---|----------------|----------------|
| Case | 2P 50% | 1C 50% |
| 1C | \$38m – \$63m | \$67m – \$112m |
| 2C | \$50m – \$88m | \$92m – \$163m |
| 3C | \$51m - \$118m | \$89m - \$207m |

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.

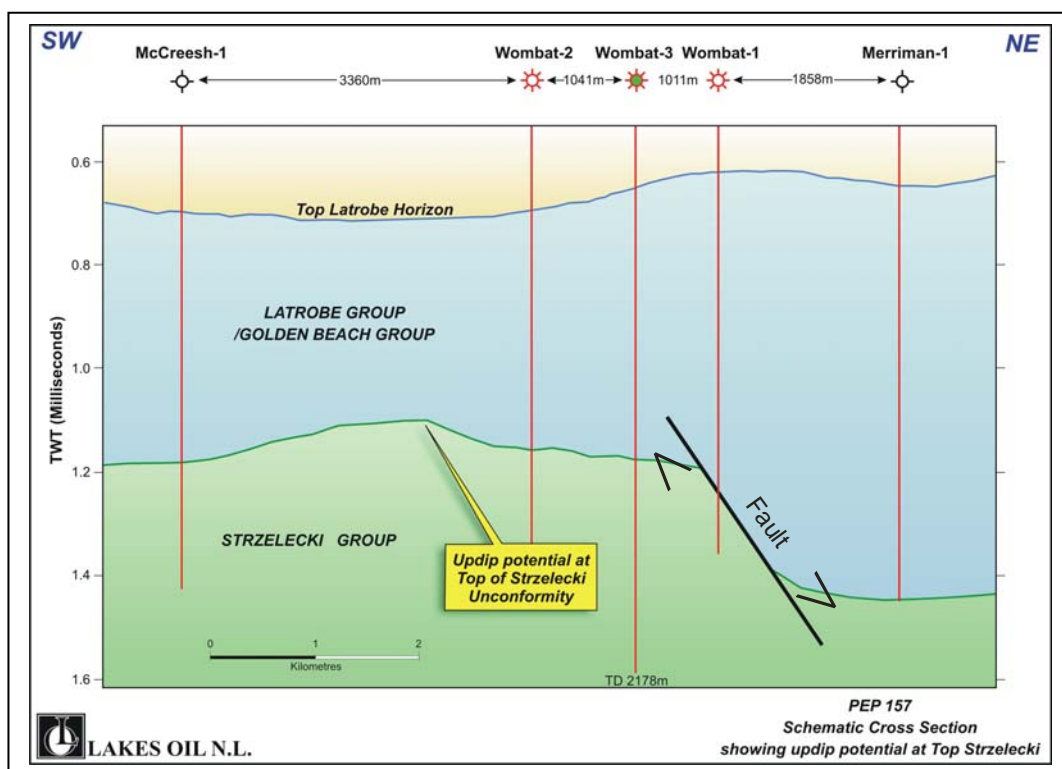
Note: 1) The gas resource values are highly sensitive to the east coast gas market prices.
2) Valuation is based on conservative gas price estimates of \$3.75/GJ in 2008 and ranging from \$5.33/GJ to \$8.23/GJ by 2016.

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.

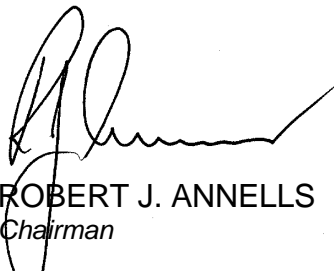
Lakes Oil N.L. has spent \$A1.5 million earlier this year in PRL2 to conduct the first ever onshore 3D seismic survey in the onshore Gippsland Basin and is now preparing to drill Wombat 4 in the optimum updip position based on this new interpretation, subject to regulatory approval and rig availability.

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

Schematic Wombat Structure



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


ROBERT J. ANNELLS
Chairman


INGRID CAMPBELL
Chief Geologist

Glossary

| | |
|------|------------------------------------|
| A\$ | Australian dollars |
| Bscf | Billion standard cubic feet |
| C | Contingent Reserves |
| EUR | Estimated Ultimate recovery |
| GJ | Gigajoule (10 ⁹ joules) |
| J | Joule |
| GIIP | Original Gas In Place |
| P10 | 10% Probability |
| P50 | 50% Probability |
| P90 | 90% Probability |
| p.a. | Per annum |
| PJ | Petajoule (10 ¹⁵ 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 of project on project maturity and/or characterized by their economic status:

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



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