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Lakes Oil N.L.

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LAKES OIL NL

PEP 166 GIPPSLAND BASIN YALLOURN POWER 1 REACHES TOTAL DEPTH

Lakes Oil and partner Armour Energy advise that the Yallourn Power 1 corehole located approximately 2km to the north of the township of Morwell in PEP 166 reached a total depth of 1,201 metres last Friday. The well has now been logged and will be completed following the insertion of a permanent temperature gauge for research purposes by the University of Melbourne's Australian Geophysical Observation System that will enable remote temperature readings to be made in the future.

The well was drilled as a stratigraphic corehole, off structure, between two Tertiary highs on the northern side of the Morwell Fault. The primary target was the oil prone shales within the Tyers Subgroup previously encountered in Yallourn North corehole located at the edge of the Basin about 7km to the north.

Results to date:

The well intersected shallow Tertiary Latrobe Group coals and sands from the surface to 410 metres and intersected the primary objective, (Tyers Subgroup), below that to total depth.

A total of 791 metres of cored section was recovered from the Early Cretaceous formation.

The cores consist predominantly of black grey to dark grey shales and mudstones with some brecciated zones and quartz/calcite veining. Some thin, very fine grained sandy and silty lenses were observed throughout the shale intervals giving an indication of the dip of the bedding. The thickness and frequency of the sandy/silty lenses increases towards the base of the well. Background gas levels (up to 75 units) were observed throughout the drilling; peaks were associated mainly with the more highly fractured intervals.

The well confirmed that there is a thick Early Cretaceous sequence at this location.

Full evaluation of the core and logging data is continuing.

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