

Wombat-5 Well, Gippsland Basin, Victoria

Drilling Update – First Gas Shows

The Board of Lakes Blue Energy is pleased to be able to provide the following update on drilling operations at Wombat-5, side-track-2 (ST-2). As at 8:00 am AEST today, the status of the well is as set out below:

Days from spud	35
Current depth	1,470 mRT ¹ MD ² ; 1,379 mRT TVD ³
24 hrs progress	62 metres
Hole size	8-1/2"
Last casing point	9-5/8" set at 302.4 mRT MD
Current formation	Strzelecki Formation
Target formation	Strzelecki Formation
Target formation depth	1,410 mRT MD; 1,356 mRT TVD
HS&E LTIs	0

The Strzelecki Formation was intersected at 1,410 mRT MD, approximately 4 metres higher vertically than prognosis, in a very weathered sand/claystone at the top of the target gas reservoir. The well is currently drilling ahead at 1,470 mRT MD, or approximately 23 m vertically into the Strzelecki Formation, with an inclination from the vertical of 73 degrees at the drill bit. Drilling will continue into the Strzelecki Formation to the planned 7" casing point, at approximately 1,540 mRT MD which is approximately 35 m vertically into the target gas reservoir, with a well inclination of 88 degrees from the vertical. This will enable the planned 1.5 km lateral hole to be drilled through the target gas reservoir.

The Strzelecki Formation is a more competent rock formation than the coals and clays above and the drilling rate has increased significantly, reflecting the improved drilling conditions.

Overnight initial natural gas shows (methane, ethane and propane) were identified in progressively increasing quantities, up to 12 units or 2,400 parts per million in the drilling mud, from a background of less than 1 unit in the overlying Latrobe Group, as drilling continued into the Strzelecki Formation. These increasing shows are encouraging as they are consistent with the gas shows from previous wells, particularly Wombat 2 and Wombat 3 which flowed at rates of up to 3 million cubic feet per day from a 50 m vertical intersection for Wombat 3. As the well continues to progress to the target TVD of 1,392 mRT MD Lakes expects the intensity of gas shows to increase in line with previous wells. The horizontal program is designed to

drill past the most significant gas intervals from the Wombat-2 and Wombat-3 wells, affording access to 1,500 m of horizontal production zone in the gas reservoir, as opposed to the vertical intersection noted above for Wombat-2 and Wombat 3.

The Company's Chairman Roland Sleeman noted

"Lakes is highly encouraged by the gas shows and is increasingly confident the strength and quality of the early gas shows give confidence that the gas production prognosis for the Wombat-5 well will be realised."

This announcement was authorised by the Board of Lakes Blue Energy.

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1. mRT means metres below the rotary table, effectively metres below the drilling rig floor.
2. MD means measured depth
3. TVD means true vertical depth