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Lakes Oil N.L.

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LAKES OIL NL

Lakes signs first conditional letter of intent to supply gas to Simplot Australia

Lakes Oil (ASX:LKO) announces that it has today signed a letter of intent to supply Victorian gas to Simplot Australia.

This letter of intent relates to one of two foundation agreements that Lakes is signing with Victorian industry and will be for periods of ten years.

Simplot Australia is a leading Australian food manufacturer, producing such brands as Leggo's, Edgell, Birds Eye, John West and Chiko. The company goals are to reduce energy used by 25% per tonne of production over a ten year period and associated carbon reduction per tonne.

Simplot has chosen Lakes' gas because of its Victorian locations, commercial benefits and the very low Co2 (less than 1%) , compared with other sources of gas in Australia which can contain up to 25% Co2.

Simplots' operations are spread across Australia. In Victoria, they have manufacturing sites located in Echuca, Pakenham and Flemington, with its head office located in Mentone.

The supply is subject to the execution of a formal supply agreement, final commercialisation of the Wombat field together with the lifting of the State's moratorium on drilling for gas onshore Victoria.

Lakes is of the opinion that when community consultation has been carried out across the State, it will be realised that our developments are in no way linked to coal bed methane (CBM).

This contract is at an attractive price, designed for Victorian gas to provide jobs in Victoria for Victorians.

Lakes Oil N.L.

ROBERT J. ANNELLS

Chairman

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Armour Energy Ltd – has the right to earn up to 50% of PRL2 by spending up to \$50m