



# LAKES OIL N.L.

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The Manager - Companies  
Australian Stock Exchange Limited  
Stock Exchange Centre  
530 Collins Street  
MELBOURNE VIC 3000

Dear Sir,

### **Drilling Update – Napier High-1 and Alberton-1**

Lakes Oil (ASX code “LKO”) advises that they have decided to move the Drilltec rotary rig from Napier High-1 site near Yarrum back to Alberton-1. This decision was made after unconsolidated sands were encountered in the Napier High-1 well.

We intend to install a deeper surface casing at Napier-1 to overcome the moving sands. This will be carried out by a specialised mobile rig in the coming week.

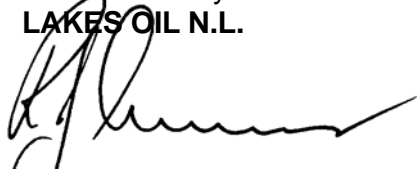
Alberton-1 was suspended prior to Christmas as the drilling rig was deemed to be unsatisfactory for the job.

Alberton-1 encountered highly biodegraded oil in shallow Latrobe group sediments before it was suspended in a volcanic section. We are anxious to see what is below the volcanics. The well is programmed to a depth of 1000 metres and is designed to test tight gas in the Strzelecki Group.

On completion, the rig is scheduled to return to complete Napier High-1. This is planned to take place in mid-February 2008.

These two wells form part of Lakes Oil’s ongoing exploration program in the onshore Gippsland Basin targeting tight gas objectives in Strelecki Group rocks.

Yours sincerely  
LAKES OIL N.L.



ROBERT J. ANNELLS  
Chairman