



LAKES OIL N.L.

(A.C.N. 004 247 214)

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24 December 2003

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

Dear Sir,

**DRILLING REPORT "WOMBAT- 1" WELL, PEP 157
Onshore Gippsland Basin, Victoria**

Lakes Oil N.L. ("LKO") wishes to advise that at 6:00 AM this morning the Wombat-1 well was at a depth of 1731 metres and drilling ahead within Golden Beach Group sediments. Gas shows continue, but at a slightly reduced level to those encountered above 1700 metres.

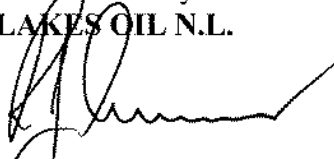
The Golden Beach Formation has now been encountered over a gross interval in excess of 400 metres. It would appear that the Wombat Structure is in fact a stratigraphic trap and could therefore be quite large. However the full implications of this well cannot be assessed until logs and testing can be carried out. This is scheduled for the New Year.

It is planned to continue drilling to the programmed total depth of 1800 metres, which should be reached later today, at which stage the well will be logged and a 7 inch casing liner run to total depth.

The Merriman-1 well, drilled by Arco in the 1960's, was drilled downdip at the edge of this structure and encountered good reservoir quality sands in the Golden Beach Formation and Latrobe Group. Minor gas shows were encountered in the Tertiary section. Gas has flowed from tight Strzelecki Formation sands in wells immediately north of Wombat-1, and there is some evidence that Strzelecki Formation reservoir quality may improve to the south in the Seaspray area.

The Wombat Block is located in PEP 157. Lakes Oil has retained a 92.5% interest in the Wombat Block subject to a 5% overriding royalty held by Roma Petroleum N.L.

Yours sincerely
LAKES OIL N.L.



ROBERT J. ANNELLS
Chairman