



A.C.N. 004 247 214

**Lakes Oil N.L.**

**ASX**

**Announcement  
and Media**

**Release**

**19 January 2021**

# Quarterly Activities Report

For the three months ended  
31 December 2020



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### *Chief Executive Officer*

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*Lakes Oil NL is a no-liability company incorporated in Australia. Unless otherwise stated references to 'Lakes Oil' or "the company" or "the Group" refer to Lakes Oil NL and its controlled entities as a whole. Lakes Oil operates a web site which Directors encourage you to access for the most recent company information.*

## CORPORATE ACTIVITIES:

### Suspension of Trading

- Trading in the Company's securities remains suspended, following late lodgement of the Company's 2019 Annual Report.
- At the date of this Report trading of the Company's shares remains suspended despite the Company having raised funds as necessary to meet commitments.
- The Company is working to have trading of its shares resume. A further capital raising was carried out in December 2020 with a focus on securing approval for a resumption of trading.

### Capital Raising

- During December 2020 the Company raised just over \$3.1m through placement of Convertible Notes with an associated royalty arrangement. The associated royalty arrangement proved necessary to attract investor interest as a consequence of prevailing market conditions and the continued suspension from trading of the Company's shares. Consent was obtained from the existing Noteholders for the creation of the royalty arrangement.
- Of the \$3.1m raised, \$2,075,000 (before costs) was subscribed by unrelated parties. 2,282,500,000 Convertible Notes were issued in consideration for these subscriptions.
- The balance of the \$3.1m raised was subscribed by parties associated with Directors Nicholas Mather and Roland Sleeman. Issue of Convertible Notes with associated royalty to these parties is subject to shareholder approval. Pending receipt of shareholder approval the \$1.1m of funds subscribed by related parties are treated as short terms loans of \$515,000 from Mr Mather and \$560,000 from entities associated with Mr Sleeman. The loans bear interest at a rate of 15% per annum, and will be immediately repayable should shareholder approval for issue of Convertible Notes with associated royalty not be secured.
- In order to attract investor interest as a consequence of the continued suspension from trading of the Company's shares on ASX and prevailing market conditions, it proved necessary to offer the royalty arrangement in addition to the Convertible Notes. Consent has also been sought and obtained from the existing Noteholders for the creation of the royalty arrangement.
- Key terms of the Convertible Notes are:
  - The Notes have an issue price and face value of 0.09 cents per Convertible Note.
  - Interest will be paid half yearly in arrears at a rate of 15% per annum. Interest may be paid at Lakes Oil's election by the issue of further Notes.
  - The maturity date of the Notes, if not earlier converted, is 31 December 2021.
  - Notes are convertible at any time at the election of the Noteholder into one ordinary share in Lakes Oil subject to usual adjustment mechanisms in certain circumstances.
  - Notes are secured by a first ranking charge over Lakes Oil's assets.
- Key terms of the Royalty arrangement are:
  - The royalty arrangement will involve subscribers being issue with unit(s) ('Royalty Units') in a fixed trust.
  - Each Royalty Unit has a face value of one cent.
  - The fixed trust will itself have an entitlement to receive a royalty upon the Company's share of the wellhead value petroleum (if any) produced from Petroleum Retention Lease 2 or Petroleum Exploration Permits 167, 169 or 175 in Victoria ('Royalty Tenements').
  - The wellhead value for the purpose of royalty calculation is the same as that used for the purpose of calculation of royalties payable by the Company to the Victorian Government.

- For each one million dollars subscribed the subscriber will receive a royalty entitlement 2% (pro rata for lesser or greater subscriptions).
- Royalty Units will also be issued to existing holders of Convertible Notes. The royalty entitlement of existing holders will be issued on the basis of an approximate 2% entitlement for the approximately 5,437,552,204 of Convertible Notes currently on issue prior to the December 2020 raising. The issue of Royalty Units to existing holders of Convertible Notes was necessary in order to obtain approval from the existing Noteholders for establishment of the royalty arrangement, noting that Convertible Notes are secured by a charge over the assets of the Company and the creation of the royalty arrangement disposes of an asset that they currently have security over.
- The trustee of the fixed trust will have no discretion regarding distribution of royalty income. All royalty income earned by the fixed trust will be distributed to unit holders in accordance with the trust deed that will establish the fixed trust.
- No application will be made for Royalty Units to be quoted.
- There are no participating rights or entitlements inherent in the Royalty Units and the holders will not be entitled to participate in future issues or pro-rata issues of capital to Shareholders.
- Royalty Unit holders' royalty entitlement will be preserved in the event of any replacement or sale of any Royalty Tenement.
- Royalty income is not guaranteed and is considered to be highly speculative.

### **Rawson Oil & Gas Limited**

- Lakes Oil has continued to advance funds to Rawson Oil & Gas Limited as necessary for activities in South Australia, including preparations for testing of the Nangewarry-1 well, and in PNG.

### **Victorian Onshore Exploration Ban**

- The Victorian Government's ban on all onshore petroleum exploration will expire on 30 June 2021, following which conventional exploration activity will be allowed to proceed.
- The Company intends to be prepared to resume exploration activity within its highly prospective Gippsland and Otway acreage as soon as it is allowed to do so.
- In accordance with new arrangements being implemented by the Victorian Government for resumption of onshore exploration the Company has submitted new work programs for all of its Victorian tenements.

### **Purported Expiry of PRL3 (Victoria)**

- In April 2019 the Victorian Department of Economic Development, Jobs, Transport and Resources (the Department) wrote to the Company expressing the view that Petroleum Retention Licence (PRL) 3 had 'expired'. This was despite the facts that:
  - previous Suspension and Extension (S&E) Applications had been approved, extending the term of the Licence in consideration of the Company being prevented from carrying out work;
  - a further S&E Application, submitted and paid for on 22 February 2019, remained outstanding; and
  - annual Licence fees had already been paid by the Company.
- On 14 May 2019 the Company responded to the Department with a detailed chronology of events relating to PRL 3, showing clearly that all applications had been lodged and fees paid in strict accordance with Licence terms, and pointing out that there have been chronic and systemic delays in the Department's processing of applications.
- On 16 October 2019 the Executive Director of the Department wrote to the Company reaffirming his view that the permit had expired and that they would not process the S&E Application despite it being lodged and paid for in time.

- The Company is concerned that the Department's actions are vexatious and unjust, and has reserved its position.

### **GeoVic Reporting of Well Status**

- On two occasions, on or around 27 April 2018 and 8 May 2018, the Victorian Department of Economic Development, Jobs, Transport and Resources (the Department) made changes to its online Earth Resources – GeoVic mapping facility. Specifically, without consulting or advising the Company, the Department changed the published status of the Company's Wombat and Trifon gas wells to either "other" or "plugged and abandoned".
- The actual status of the wells is unchanged from what has been historically reported, that is:
  - Wombat-1: gas well with minor oil shows, cased and perforated, shut-in pending further work.
  - Wombat-2: gas well, cased and perforated, shut-in pending further work.
  - Wombat-3: gas well with minor oil shows, cased and perforated, shut-in pending further work.
  - Wombat-4: gas well with minor oil shows, cased and suspended, shut-in pending further work.
  - Trifon-2: gas well, cased and perforated, shut-in pending further work.
- The Company has also noted that the status of its Petroleum Retention Licence (PRL) 3 was changed to 'expired' on the GeoVic website. This is despite Suspensions and Extensions (S&E) extending the licence term to 2020, in Lakes' view, having already been granted. There is also a further 12 month S&E application pending, and as described above is yet to be dealt with by the Department.
- The Company continues to seek clarification from the Department regarding these inaccuracies on the GeoVic website, has made a detailed submission regarding the status of PRL3, and has offered to assist the Department with gaining an understanding of technical aspects of the petroleum industry and reporting conventions. The Department still has not responded to the Company's offers.

### **Research and Development Claim**

- The Company's appeal to the Administrative Appeals Tribunal for a review of Innovation Science Australia's rejection of the Company's 2013/14 Research and Development tax incentive claim was heard over the period 19 to 23 October 2020. Unfortunately, owing to shortcomings in the Department of Innovation and Science's submissions, the hearing was not concluded. It was planned for continuation in early December but, owing to unavailability of Court resources, has now been delayed until early February 2021.
- The Company is presently paying \$20,000 per month to the ATO pending the outcome of the Administrative Appeals process.

### **Corporate Matters**

- The Company's audited 2020 Annual Report was released on 29 December 2020.
- Arrangements are being made for the Company's Annual General Meeting to be held in due course.
- The Company paid \$65,609 to Samuel Holdings Pty Ltd, an related party of Director Nicholas Mather, for interest incurred on \$515,000 loan for the period between 14 February 2020 and 24 December 2020. This has been disclosed in item 6.1 of the attached Appendix 5B for quarter ending 31 December 2020.

## EXPLORATION ACTIVITIES:

### South Australia

PEL 155 Nangwarry Prospect (Lakes Oil: 50% interest)

PEL 154 (Lakes Oil: 100% interest)

- The Company is investigating potential options for development of the Nangwarry-1 well to produce carbon dioxide for industrial, medical and food use.
- On 25 August 2020 the Company, with joint venture partner Vintage Energy Pty Ltd, announced it had entered into a non-binding Memorandum of Understanding (“MoU”) with Supagas Pty Ltd (“Supagas”), an Australian based distributor of gases for domestic, industrial, medical and other applications.

Under the MoU, Supagas will fund work associated with the preliminary design and costing of facilities for processing Nangwarry carbon dioxide to allow commercial production and delivery of food grade carbon dioxide. In return, the joint venture will give Supagas the opportunity to submit a formal proposal to develop and/or purchase gas from the Nangwarry resource.

- Design work is currently underway for an extended production test of the Nangwarry-1 well which is expected to commence in February 2021. The MoU signed with Supagas will assist with identification and consideration of options for development of Nangwarry and is an important step toward commercial production and sale of carbon dioxide
- A programme for flow-testing of the Nangwarry-1 well is being formulated.
- On 31 August 2020 the Company announced that it had received the following tabulated independent estimate of the recoverable sales gas volume of carbon dioxide (CO<sub>2</sub>) contained within the Nangwarry reservoir.

Gross CO <sub>2</sub> Sales Gas (Bscf) For PEL 155		
Low	Best	High
7.8	25.1	82.1

Net CO <sub>2</sub> Sales Gas (Bscf) 50% LKO		
Low	Best	High
3.9	12.6	41.5

#### Notes:

1. Gross volumes represent a 100% total of estimated recoverable volumes within PEL 155.
2. Working interest volumes for Otway Energy Ltd's and Vintage Energy Ltd's share of the Gross recoverable volumes can be calculated by applying their working interest in PEL 155, which is 50% each.
3. Sales gas stream for Nangwarry is CO<sub>2</sub> gas.

*The independent estimate was prepared by ERC Equipoise Pte Ltd (ERCE) using a probabilistic methodology. Under the June 2018 Society of Engineers Petroleum Resources Management System, (PRMS), volumes of non-hydrocarbon by-products cannot be included in any Reserves or Resources classification. However, the method used by ERCE is consistent with that prescribed by the PRMS.*

*ERCE is an independent consultancy specialising in geoscience evaluation, engineering and economic assessment. ERCE has the relevant and appropriate qualifications, experience and technical knowledge to appraise professionally and independently the assets.*

*ERCE's work was supervised by Mr Adam Becis, Principal Reservoir Engineer at ERCE, who has over 14 years of experience in the oil and gas industry. He is a member of the Society of Petroleum Engineers and also a member of the Society of Petroleum Evaluation Engineers. Mr Becis has consented to the form and context in which the estimate of carbon dioxide sales gas is presented.*

## Onshore Victoria

PEPs 163, 167 and 175, Otway Basin (Lakes Oil: Operator, 100% interest)

PEP 169, Otway Basin (Lakes Oil: 49% interest)

PRL 2, Gippsland Basin (Lakes Oil: Operator, varying interest across permit - subject to reserved rights)

PRL 3, Gippsland Basin (Lakes Oil: Operator, 100% interest)

PEP 166, Gippsland Basin (Lakes Oil: Operator; 75% interest)

- In view of the Victorian Government's onshore exploration ban there was no new exploration activity within Victoria during the current Quarter.
- Information regarding the Company's proposed future Victorian exploration drilling activity is set out below:
  - Portland Energy Project (Petroleum Exploration Permit 175)

The proposed Greenslopes-2 and Portland Energy-1 gas wells are proof-of-concept wells, designed to confirm the conventional gas production potential of the Eumeralla Formation and the underlying Crayfish Subgroup within a 'Focus Area' on the southwestern corner of Petroleum Exploration Permit 175, as depicted in Figure 2.

To date, 14 wells have been historically drilled without incident in the Focus Area region and, without exception, the Eumeralla Formation was shown to contain gas. Historically, this gas was of no interest since the search at the time was for oil. There was no market for gas, nor was there infrastructure through which it could be delivered.

An indication of the significant potential of the Focus Area can be gleaned from work undertaken by SRK Consulting on behalf of Lakes Oil. In May 2015 SRK used available information (essentially historic well logs and seismic data) to estimate the recoverable resources of gas within the Focus Area. SRK concluded (at a 50% confidence level) that there may be 8.3 Tcf of gas recoverable from the Eumeralla Formation and 3.2 Tcf recoverable from deeper Formations. *(Source of estimate: SRK Consulting (Australasia) Pty Ltd, as reproduced on page 29 of "Independent Specialist Report on the petroleum assets of Navgas Pty Ltd and Lakes Oil NL", SRK Consulting (Australasia) Pty Ltd, made public in December 2016. The Company is not aware of any new information or data that materially affects the information included in the relevant market announcement and confirms that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons)*

Figure 2: Location of Focus Area Within PEP 175



- o Otway-1 Gas Well (Petroleum Exploration Permit 169)

The Otway-1 gas well is a conventional, vertical well targeting both the Waarre Sandstone and the Eumeralla Formation. The well will be located about 400 metres from the existing Otway gas plant and Iona gas storage field and associated facilities, as shown in Figure 3. The well was first proposed in 2013, at which time all regulatory and access requirements were fully satisfied (as advised in writing by the Victorian Department of Economic Development, Jobs, Transport and Resources).

The Waarre Sandstone is very productive, with gas flow rates up to 50 TJ/d having previously been achieved at other nearby locations. The Waarre Sandstone is the basis of historic gas production at the Iona gas field which is now utilised as a gas storage reservoir.

The Eumeralla Formation is known to contain gas and has previously, at the Skull Creek-1 well location (nearby to Otway-1), flowed gas at a rate of 7.5 TJ/d.

Figure 3: Location of Otway-1 Gas Well



- o Wombat-5 Gas Well (Petroleum Retention Lease 2)

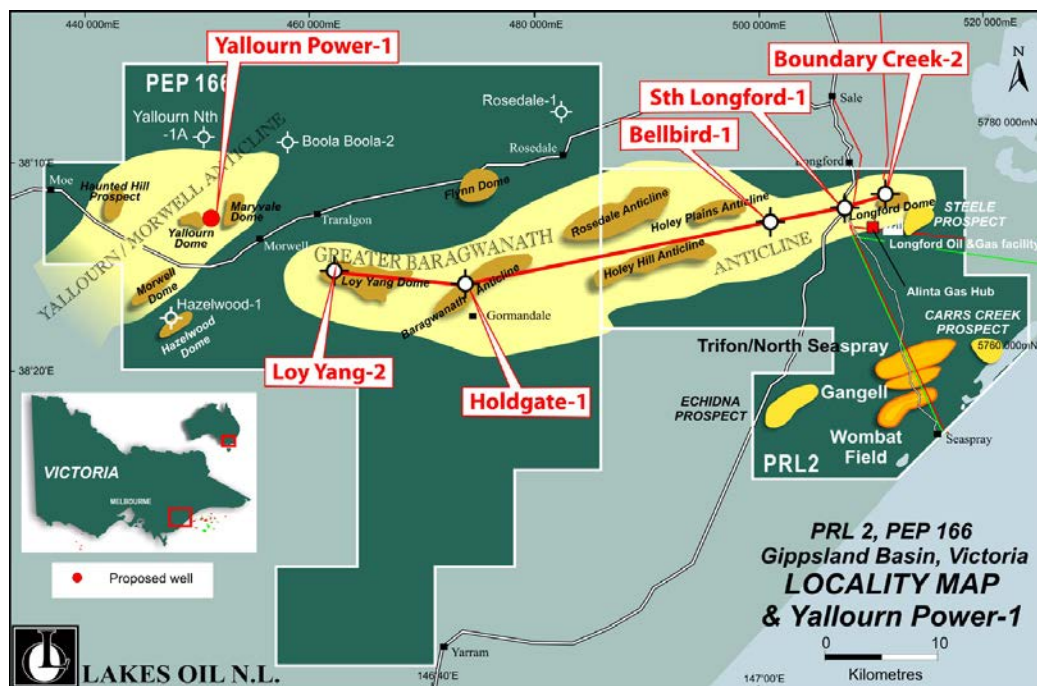
The Wombat-5 well is a conventional, lateral well that will target the upper, permeable section of the Strzelecki Formation. The well, which will cost around \$4.5m, has an independently estimated gas production potential of around 10 TJ/d. The well was first proposed in 2013, at which time all regulatory and access requirements were fully satisfied (as advised in writing by the Victorian Department of Economic Development, Jobs, Transport and Resources).

The independently estimated contingent recoverable gas resource of the Wombat and adjoining Trifon-Gangell gas fields is 329 PJ and 390 PJ, respectively, at the 50% probability level. *(Source of estimate: Gafney, Cline and Associates, as reproduced on pages 24-25 of "Independent Specialist Report on the petroleum assets of Navgas Pty Ltd and Lakes Oil NL", SRK Consulting (Australasia) Pty Ltd, made public in December 2016. The Company is not aware of any new information or data that materially affects the information included in the relevant market announcement and confirms that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons).*



The Company envisages an integrated approach to development of the Wombat and Trifon-Gangell gas fields. Sales gas production would initially be from the Wombat gas field with the Trifon-Gangell gas field developed to support steady gas sales over a 20-year period. On this basis the estimated conventional sales gas potential of the fields is at least 20 PJ/a.

Figure 4: Location of Wombat and Trifon-Gangell Gas Fields



### Near-shore Victoria (Gippsland Basin)

VIC/P43(V) and VIC/P44(V) (Lakes Oil: Operator, 100% interest)

- For cost efficiency reasons it is desirable that work within these permit areas be coordinated with onshore activity.
- In view of the Victorian Government's onshore exploration ban there was no new exploration activity within Victoria during the current Quarter.

### Queensland, Eromanga Basin

ATPs 642P and 662P (Lakes Oil: Operator, 100% interest)

- Lakes Oil is seeking a joint venture partner for pursuit of its western Queensland opportunities.

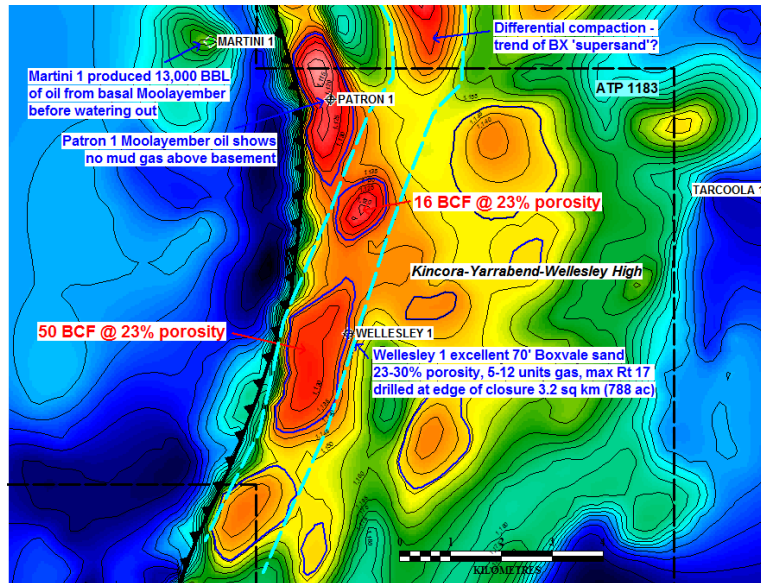
### Queensland, Roma Shelf Project

ATP 1183 (Lakes Oil: Operator, 100% interest)

- ATP 1183 is highly prospective for oil, gas and condensate discoveries, and is within close proximity of established production facilities and infrastructure. The tenement area itself surrounds the Riverslea Oil Field and Major Gas/Condensate Field.
- Since acquiring ATP 1183 the Company has undertaken extensive review of exploration prospects within the permit area. A number of compelling opportunities have been assessed in detail and the Company is now progressing planning and approvals for an exploration well drilling campaign. Given the proximity of ATP 1183 to existing oil and gas production infrastructure, any discoveries within the permit area can be brought online quickly to provide cashflow to support ongoing Company operations.
- The key exploration prospects that the Company proposes to drill are:
  - Wellesley Dome

The Wellesley Dome is a fault bound, three way dip closure approximately 4.4km<sup>2</sup> in area, lying on the Kincora-Yarrabend-Wellesley High to the south of the productive Kincora Gas Field.

Figure 5: Wellesley Dome



A well (Wellesley-1) drilled by BHP in 1979 intersected in excess of 20 metres of thick clean Boxvale Sand. Although the well had fair gas shows and good porosity (average 28%) it was at the time not considered to be of commercial interest. Apart from the Wellesley-1 well, the extensive Wellesley Dome prospect is underexplored. With modern production techniques and at prevailing gas prices, the Company considers the Wellesley Dome to be a compelling exploration opportunity.

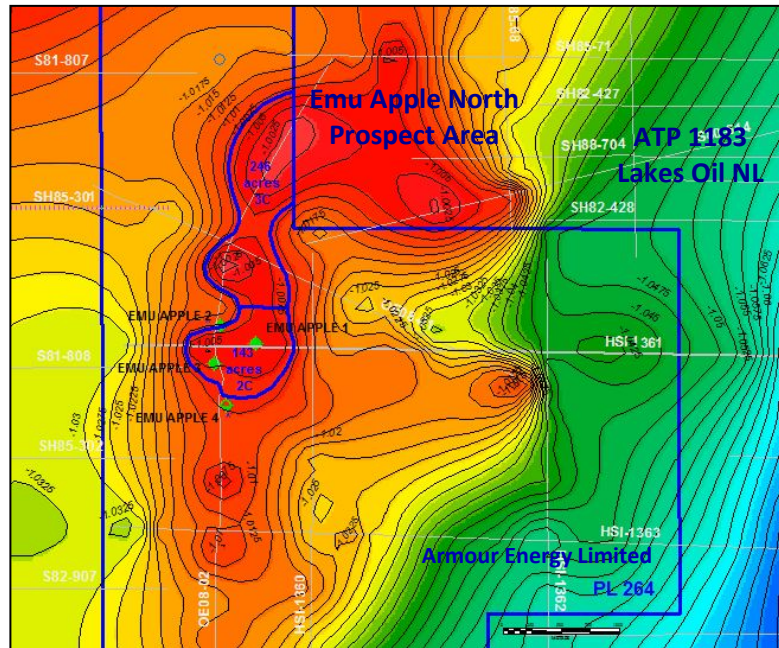
The Company proposes to drill an exploration well approximately 880 metres southwest of Wellesley-1 to a depth of around 1,650 metres, with preparatory work (notably, development of land access arrangements) presently under way.

The Wellesley Dome has a prospective gas resource of 41 BCF (*This is a best estimate prepared on a deterministic basis. It is sourced from page 17 of "Independent Specialist Report on the petroleum assets of Navgas Pty Ltd and Lakes Oil NL", SRK Consulting (Australasia) Pty Ltd, made public in December 2016. The Company is not aware of any new information or data that materially affects the information included in the relevant market announcement and confirms that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.*)

- Emu Apple North

The Emu Apple North prospect comprises the northern extension of the Emu Apple oilfield, an oilfield recently brought back into commercial production by Armour Energy Limited.

Figure 6: Emu Apple North Prospect



The prospect is a broad, low relief, anticlinal structure separated by a small saddle from the main Emu Apple Field. The entire Emu Apple area has been charged with hydrocarbons from Permian source rocks to the southeast.

The Hutton Sandstone and Boxvale Sands, both of which are productive in the Emu Apple-3 well, are the main reservoir targets. The reservoir units will be intersected at shallow depths, between approximately 1350 and 1430 metres, which means drilling the Emu Apple North prospect will be low cost. The Company's proposed well location is readily accessible by existing road infrastructure and is close to Armour's Emu Apple production facilities (meaning any discovery can be quickly developed).

The Emu Apple North prospect covers an area of approximately 382 acres and is estimated to hold up to 3.4 million barrels of oil. *(This is a best estimate prepared on a deterministic basis. It is sourced from page 17 of "Independent Specialist Report on the petroleum assets of Navgas Pty Ltd and Lakes Oil NL", SRK Consulting (Australasia) Pty Ltd, made public in December 2016. The Company is not aware of any new information or data that materially affects the information included in the relevant market announcement and confirms that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons)* Initial oil production rates from existing Emu Apple wells were around 100 barrels per day, with Armour Energy's Emu Apple-3 well currently producing around 40 barrels per day.

- In addition to the prospects outlined above, the Company has also identified the following exploration opportunities:

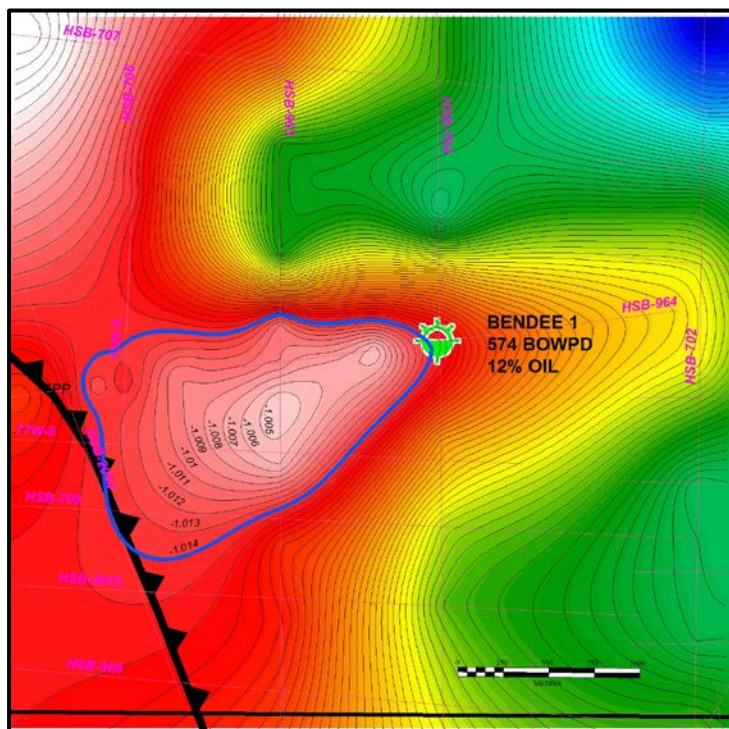
- Bendee Prospect

The Bendee Prospect is a four-way dip closure located just to the west of the producing Thomby Creek Oil Field. An historic (Bendee-1) well flowed oil and water to surface, demonstrating that the structure contains oil. However, using currently available data the Company has identified that the Bendee-1 well was drilled on the edge of closure, at the level of oil-water contact. Considerable up-dip potential exists.

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The Bendee Prospect covers an area of approximately 2 square kilometres and could contain approximately 1 million barrels of oil. *(This is a best estimate prepared on a deterministic basis. It is sourced from page 17 of "Independent Specialist Report on the petroleum assets of Navgas Pty Ltd and Lakes Oil NL", SRK Consulting (Australasia) Pty Ltd, made public in December 2016. The Company is not aware of any new information or data that materially affects the information included in the relevant market announcement and confirms that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons)*

Figure 7: Bendee Prospect

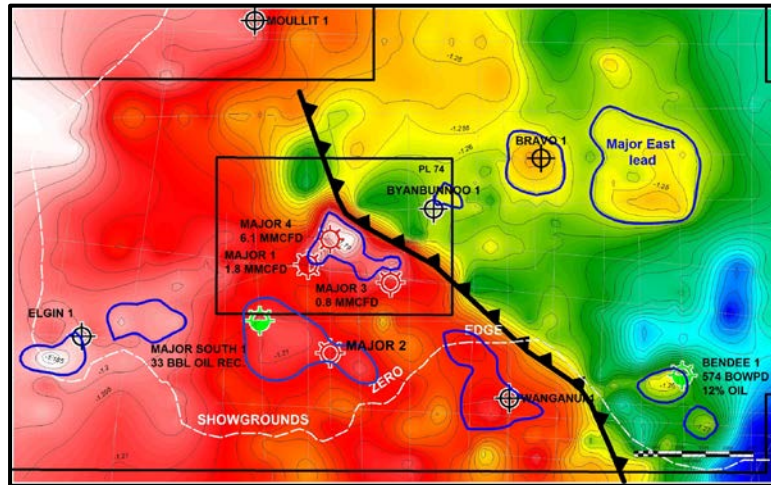


- Major East Lead

The Major East Lead is four way dip closure approximately 5km<sup>2</sup> in area, located to the east of the producing Major Gas Field.

The Major East Lead has a prospective gas resource of 13.8 BCF *(This is a best estimate, determined by Mr Peter Bubendorfer, Exploration Adviser to Navgas Pty Ltd, who is an AAPG member, qualified in accordance with the requirements of ASX Listing Rule 5.42, and who has consented to the use of the estimate in the form and context in which it appears in this report. The estimate was finalised on 3 February 2015 and was published on the ASX Announcements Platform by the Navgas Pty Ltd then owner Dark Horse Resources Limited (known at that time as Navaho Gold Limited). The Company is not aware of any new information or data that materially affects the information included in the relevant market announcement and confirms that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons).*

Figure 8: Major East Lead

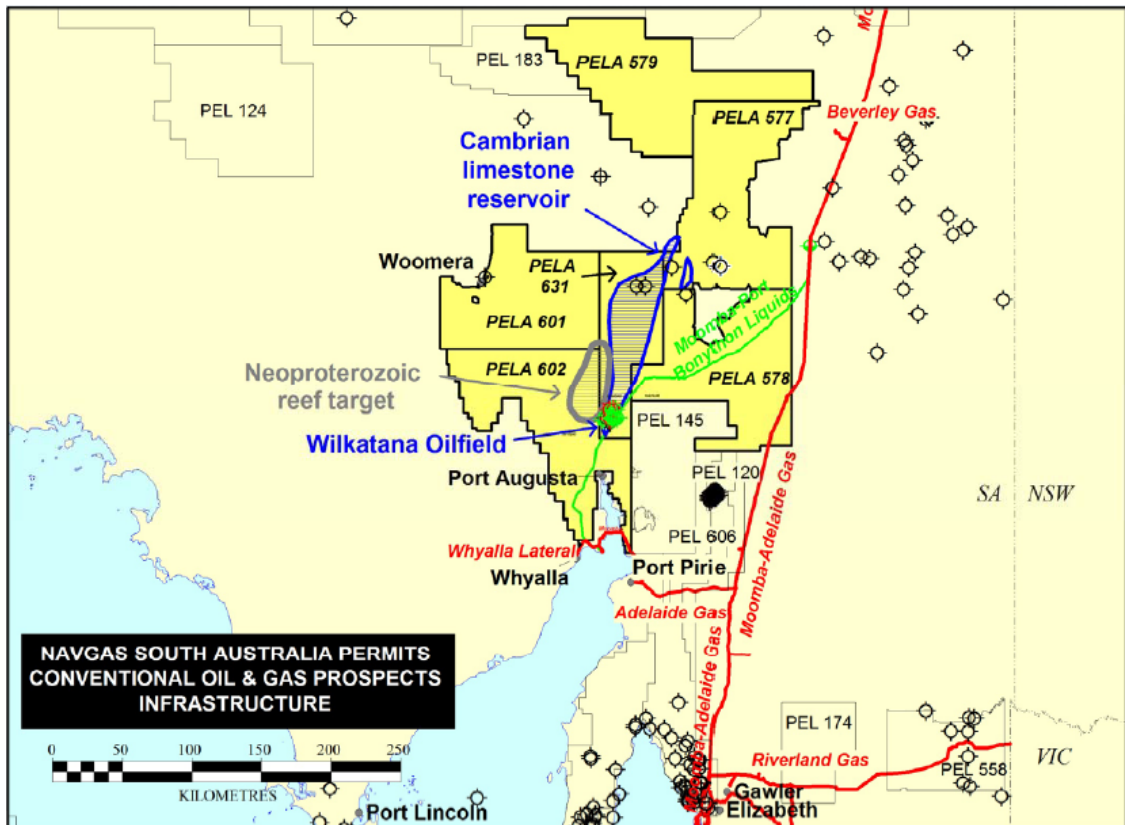


### South Australia, Pirie Torrens Oil & Gas Project

PELAs (Lakes Oil: Operator, 100% interest)

- The Pirie Torrens Oil and Gas Project incorporates six Petroleum Exploration Licence Applications (PELAs) located in South Australia and covering approximately 53,000km<sup>2</sup> as outlined in Figure 9. Petroleum exploration activities in the general area first commenced in 1956, when Santos was established to drill for oil at Wilkatana. This work, and subsequent drilling by other companies, historically confirmed the presence of oil and gas across the area of interest.
- Lakes Oil proposes to review and reprocess historic data, including more recent seismic information gathered by Geoscience Australia, and to investigate potential for drilling of a stratigraphic core hole to further geological knowledge of the basin.
- Of particular near-term interest to the Company are:
  - the potential for oil production to the north of Wilkatana (in an area of closure, associated with the Torrens Hinge Zone, that can be identified on modern seismic data but which has not yet been drilled); and
  - the potential for production of gas from the Tindelpina Shale, which has been demonstrated to contain gas but has not been explored using modern techniques.

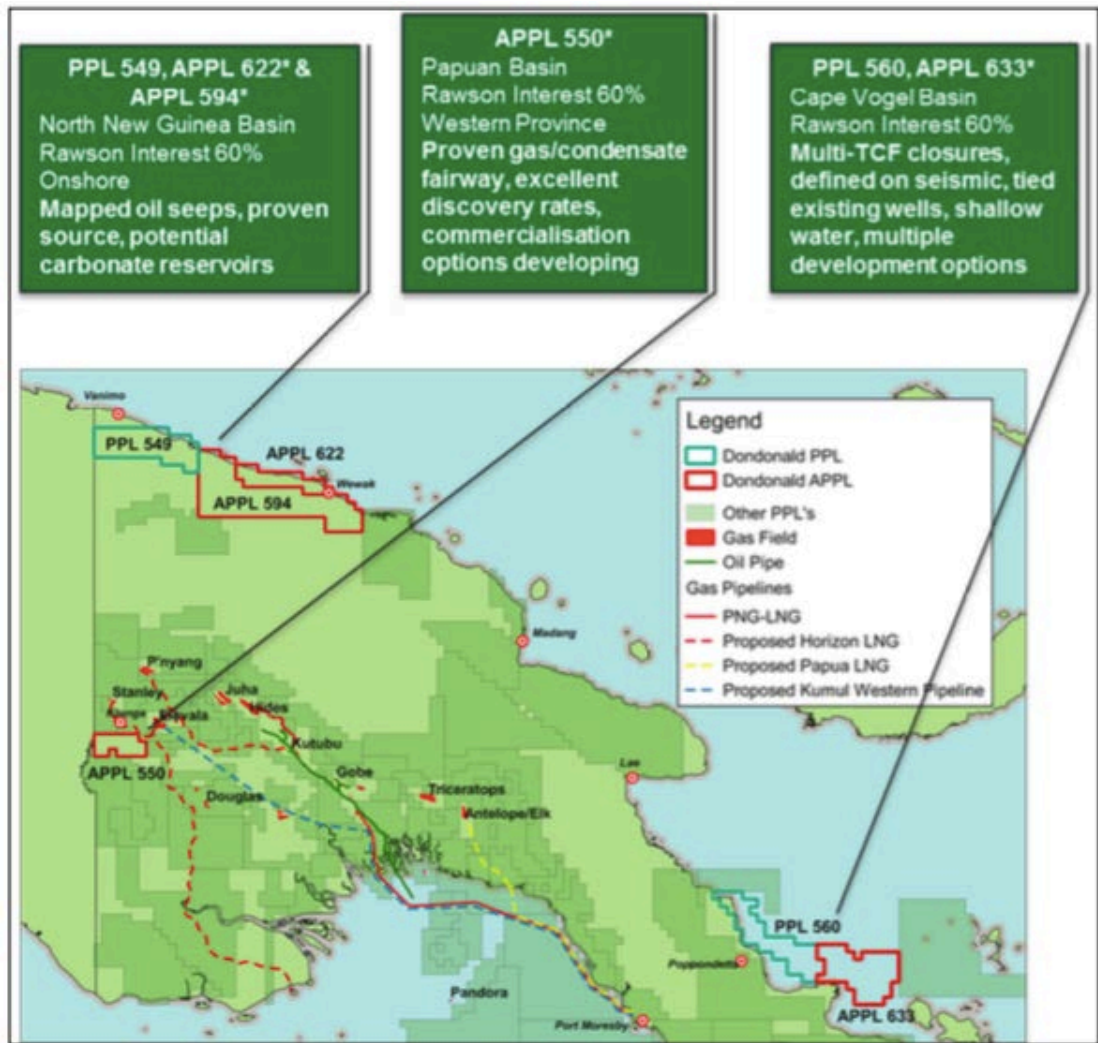
Figure 9: South Australian Licence Application Areas



### Papua New Guinea

- The Company has control of a portfolio of highly prospective exploration acreage in Papua New Guinea. One key tenement is Petroleum Prospecting Licence (PPL) 560, which contains the multi-trillion cubic feet Buna prospect.
- On 23 October 2020 the Company was advised that an extension of the term of PPL 560 has been approved by PNG's Petroleum Advisory Board. Formal confirmation of the extension was received from the PNG Department of Petroleum and Energy on 16 December 2020.
- The abovementioned extension of term is to compensate the Company for time lost in prolonged legal proceedings against PNG's former Minister for Petroleum that (as announced in September 2019) were finalised in the Company's favour. Those legal proceedings involved judicial review of the Minister's April 2018 purported cancellation of Petroleum Prospecting Licence (PPL) 560, with the Minister's Notice of Cancellation of PPL 560 being quashed and costs awarded in favour of the Company.
- The Company is working on plans for expedited exploration and development of the PNG tenements, especially the Buna prospect, and has recommenced discussions with potential farminees to help fund the drilling of the Buna Prospect.

Figure 10: PNG Interests



**Eagle Prospect, Onshore California, USA**

(Lakes Oil: 17.97% interest. Operator: Strata -X Inc.)

- The Eagle Prospect contains the Mary Bellochi-1 well, which was drilled in 1986 by Lakes and its joint venture partners, and flowed oil to surface for several weeks before withering out. Indications at the time were that failure of the well was the result of a mechanical problem, rather than oil ceasing to be present.
- The Company is seeking to dispose of its Eagle Prospect interest.

This announcement is authorised for release to the market by the Board of Directors of Lakes Oil NL.

For further details please contact:

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## Lakes Oil NL Tenement holding summary

Below is a listing of the tenements held by Lakes Oil NL as at 31 December 2020:

Joint operation or Permit name	Location (basin name)	Interest owned %	Interest acquired/farmin during the quarter	Interest disposed/farmout during the quarter
PEP 163	Otway	100	-	-
PEP 167	Otway	100	-	-
PEP 169	Otway	49	-	-
PEP 175	Otway	100	-	-
PRL 2-Overall Permit	Gippsland	100	-	-
PRL 2 - Trifon Field	Gippsland	57.50	-	-
PRL 3	Gippsland	100	-	-
PEP 166	Gippsland	75	-	-
VIC/P43(V)	Gippsland	100	-	-
VIC/P44(V)	Gippsland	100	-	-
ATP 642P	Eromanga/Cooper E	100	-	-
ATP 662P	Eromanga/Cooper E	100	-	-
ATP 1183	Surat/Bowen	100	-	-
Eagle Prospect	California USA	17.97	-	-
PELA 577*	Pirie Torrens, SA	100	-	-
PELA 578*	Pirie Torrens, SA	100	-	-
PELA 579*	Pirie Torrens, SA	100	-	-
PELA 601*	Pirie Torrens, SA	100	-	-
PELA 602*	Pirie Torrens, SA	100	-	-
PELA 631*	Pirie Torrens, SA	100	-	-
EL 5694	Pirie Torrens, SA	100	-	-
PEL 154	Otway	100	-	-
PEL 155	Otway	50	-	-
PPL 549	PNG	100	-	-
PPL 560	PNG	100	-	-
APPL 550*	PNG	100	-	-
APPL594 *	PNG	100	-	-
APPL 622 *	PNG	100	-	-
APPL 633 *	PNG	100	-	-

\*Tenements in application phase only, remain subject to government approvals.

### **Cautionary statement**

*The Company is not aware of any new information or data that materially affects the information included in the relevant market announcement and confirms that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons).*



## Appendix 5B

### Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

LAKES OIL NL

ABN

62 004 247 214

Quarter ended ("current quarter")

31 DECEMBER 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	-	-
(e) administration and corporate costs	(673)	(1,042)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(66)	(66)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(739)</b>	<b>(1,108)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	(121)	(254)
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(121)</b>	<b>(254)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	2,075	2,075
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	75
3.6	Repayment of borrowings	(75)	(75)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (Funds held for securities yet to be issued)	500	500
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>2,500</b>	<b>2,575</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	204	631
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(739)	(1,108)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(121)	(254)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,500	2,575

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>1,844</b>	<b>1,844</b>

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	1,768	40
5.2	Call deposits	71	71
5.3	Bank overdrafts	-	-
5.4	Other (restricted JV funds)*	5	93
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>1,844</b>	<b>204</b>

\*Included within the above is cash which represents 50% of the interest in the Joint Operation with Vintage Energy Limited. This amount is restricted to be used only in the Joint Operation and not available to be used for other uses within the Company.

6. Payments to related parties of the entity and their associates		Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	(66)
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.*

\$66k was paid during this quarter for interest incurred between 14 February 2020 and 24 December 2020 on related party loan from Samuel Holdings Pty Ltd an entity associated with Mr Mather a director of the Company.

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7.	<b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (loan from related party and unrelated entity)	1,015	1,015
7.4	<b>Total financing facilities</b>	1,015	1,015
7.5	<b>Unused financing facilities available at quarter end</b>		-
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>On 14 February 2020, the Company received \$515,000 of loan funds from Samuel Holdings Pty Ltd on behalf of Samuel Discretionary Trust (a related party of Director Nicholas Mather), sub-underwriter of the Convertible Note arrangement. Interest is payable on this amount at a rate of 15% per annum. The funds are being used to meet working capital requirements.</p> <p>Samuel Discretionary Trust has the option (subject to securing shareholder approval) to convert the loan into Convertible Notes. \$65,609 interest was paid by the Company during December 2020 quarter (see item 6.1 above).</p> <p>During the quarter, an additional \$500,000 was provided as a short term loan by related entities of Mr Roland Sleeman, the loan will bear interest of 15% with the principle to be converted to Convertible Notes subject to shareholder approval.</p> <p>On 25 September 2020, the Company received \$75,000 of loan funds from BAM Opportunities Funds Pty Ltd. The funds are being used to meeting working capital requirements. The outstanding was settled via the issue of Convertible Notes during December 2020.</p> <p>There were no maturity dates or any security for the amounts referred to above.</p>		
<b>8.</b>	<b>Estimated cash available for future operating activities</b>		<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)		(739)
8.2	Payments for exploration & evaluation classified as investing activities (item 2.1(d))		(121)
8.3	Total relevant outgoings (item 8.1 + item 8.2)		(860)
8.4	Cash and cash equivalents at quarter end (item 4.6)		1,844
8.5	Unused finance facilities available at quarter end (item 7.5)		-
8.6	Total available funding (item 8.4 + item 8.5)		1,844
8.7	<b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>		2.14
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>		

## Mining exploration entity or oil and gas exploration entity quarterly cash flow report

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

*Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.*

### Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 19 January 2021

Authorised by: The Board

### Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.