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Lakes Blue Energy NL

ABN 62 004 247 214



**Annual Report
For the Year Ended 30 June 2022**

LAKES BLUE ENERGY NL

Contents

30 June 2022

Corporate Directory	3
Exploration and Corporate Operations Report	4
Directors' Report	20
Auditor's Independence Declaration	34
Consolidated Statement of Profit or Loss and Other Comprehensive Income	35
Consolidated Statement of Financial Position	36
Consolidated Statement of Changes in Equity	37
Consolidated Statement of Cash Flows	39
Notes to the Financial Statements	40
Directors' Declaration	65
Independent Auditor's Report to the Members of Lakes Blue Energy NL	66
Additional Information for Listed Public Companies	70

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LAKES BLUE ENERGY NL

Corporate directory

30 June 2022

Directors

Richard Ash (Non-Executive Chairman)

Roland Sleeman (Executive Director)

Nicholas Mather (Non-Executive Director)

Chief Executive Officer

Roland Sleeman

Company Secretary

Elissa Hansen

Registered Office

Level 3

35 Lime Street

Sydney NSW 2000

T: (03) 9629 1566

W: www.lakesblueenergy.com.au

Auditor

William Buck

Level 20

181 William Street

Melbourne VIC 3000

Share Register

Computershare Investor Services Pty Ltd

Yarra Falls, 452 Johnston Street

Abbotsford VIC 3067

T: (03) 9415 4000

Securities Exchange Listing

Australian Securities Exchange

(Home Exchange: Sydney, NSW)

ASX Code: LKO

Bank

Westpac Banking Corporation

360 Collins Street

Melbourne VIC 3000

1. Overview

Lakes Blue Energy's focus continues to be on:

- realising the potential of the Company's diverse portfolio of exploration projects, as depicted in Figure 1 and outlined in Table 1, to become a supplier of gas to meet Australian industry and household requirements, in both feedstock and energy applications; and
- subsequently, leveraging the Company's asset base to be at the vanguard in terms of identifying and promoting emerging technologies to meet the nation's changing energy requirements.

Figure 1: Project Portfolio

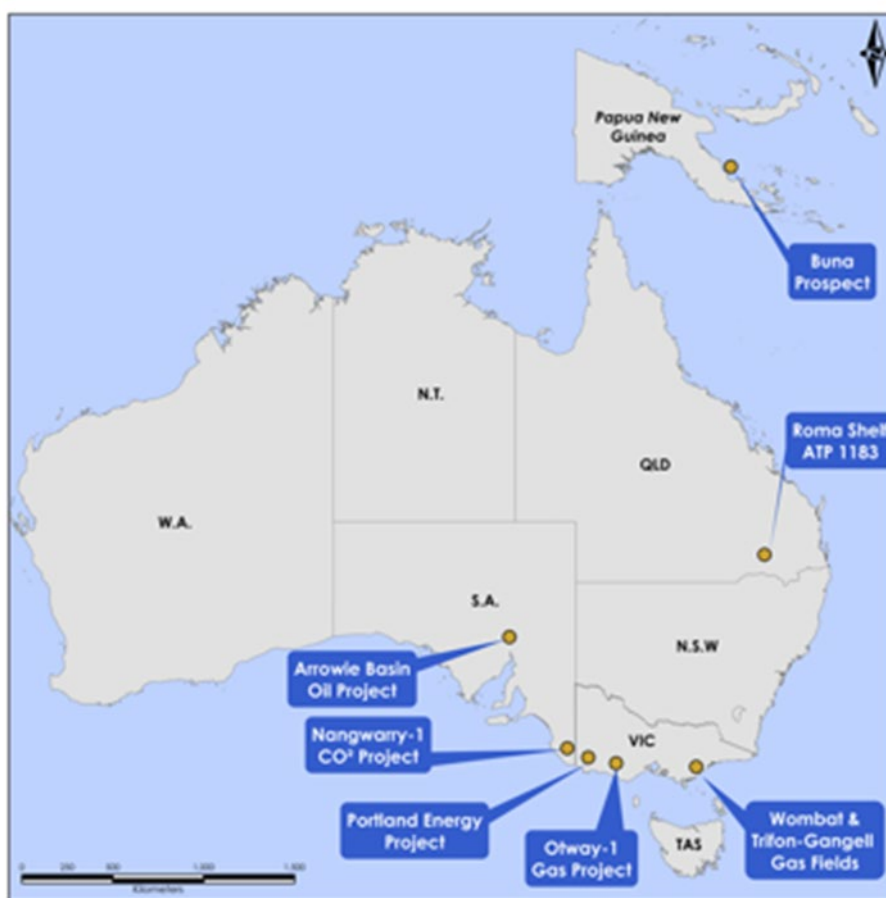


Table 1: Project Portfolio and Prospectivity

Project	Location	Resource / Target (Net to Company)
Nangwarry Carbon Dioxide	PRL 249, Otway Basin, SA	12.9 Bcf sales gas ¹
Wombat Gas Field	PRL 2, Gippsland, Vic	329 Bcf Contingent Resource ²
Trifon / Gangell Gas Field		223 Bcf Contingent Resource ²
Baragwanath Gas Field		966 Bcf Prospective Resource ²
Roma Shelf Project	ATP 1183, Surat Basin, Qld	Target discovery and recovery ³ : 30 - 40 Bcf gas; 3 MMBbl oil
Enterprise North	PRL 169, Otway Basin, Vic	209 Bcf gas initially in place
Otway-1		Target recoverable ⁴ : 11.25 Bcf gas; 370,000 Bbl oil
Portland Energy Project	PEP 175, Otway Basin, Vic	Permit Area: 286 Tcf gas initially in place ⁶ Focus Area: 11.5 Tcf prospective resource ⁶
	PEP 167, Otway Basin, Vic	Permit Area: 116 Tcf gas initially in place ⁶
Buna	PPL 560, PNG	3.1 Tcf prospective resource ⁷

Notes to Table:

1. *ERC Equipoise Pte Ltd, using probabilistic methodology consistent with that prescribed by the SPE-PRMS.*
2. *Gaffney, Cline & Associates, in accordance with SPE-PRMS guidelines.*
3. *Best estimates prepared on a deterministic basis by Mr Peter Bubendorfer, Geotechnical Assessor, Armour Energy Limited.*
4. *Estimate prepared by Mr John Mackintosh, Reservoir Engineering Advisor, DGR Global Limited. Mr Mackintosh has over 25 years of diverse oil and gas industry experience and has significant reservoir engineering, production technology and operations experience in multiple basins worldwide with a variety of International Operators and Consulting firms. He has previously held roles in Santos (Australia/Houston), Halliburton Consulting (Russia), Wintershall (Norway) and Apache (Egypt). Mr Mackintosh has sufficient experience that is relevant to Armour Energy Limited and Lakes Blue Energy NL for reserves and resources to qualify as a Reserves and Resources Evaluator as defined in the ASX Listing Rules.*
5. *Combination of in-house estimate for Eumerella, prepared by Mr Tim O'Brien, MSc in Geology and Geophysics, member of PESA, SPE and AAPG, and probabilistic estimates for Warre and Pebble Point, independently prepared by Dr Greg Blackburn, Terratek Petroleum Consultants Pty Ltd, February 2011.*
6. *"Estimated Unconventional Gas Potential for a Defined Prospect Area in PEP 175, Otway Basin, Victoria", May 2015, SRK Consulting (Australasia) Pty Ltd, in accordance with SPE-PRMS guidelines.*
7. *"Undiscovered Hydrocarbon Resources, Petroleum Prospecting Licence (PPL) Blocks 257 and 258, Papua New Guinea", 31 August 2010, Fekete Associates Inc*

The projects listed above are the near-term drivers of value for Lakes Blue Energy, with a hypothetical value in excess of \$1 billion based upon a conservative gas price equivalent of \$8.00 per Gigajoule. The Company's strategy for realisation of this value involves:

- a) Early commercialisation of Victorian asset(s), now that exploration is again allowed onshore in Victoria;
- b) Leveraging returns from the above to realise value for Shareholders, including through development of the world-scale Buna and Portland Energy Projects;
- c) To actively monitor technological developments and opportunities with specific focus on identifying and promoting new technologies for sustainable supply of energy to meet industrial and household requirements; and

- d) Where opportune and in the interests of Shareholders, entering into arrangements with other parties to explore, develop and commercialise existing projects or new technological initiatives.

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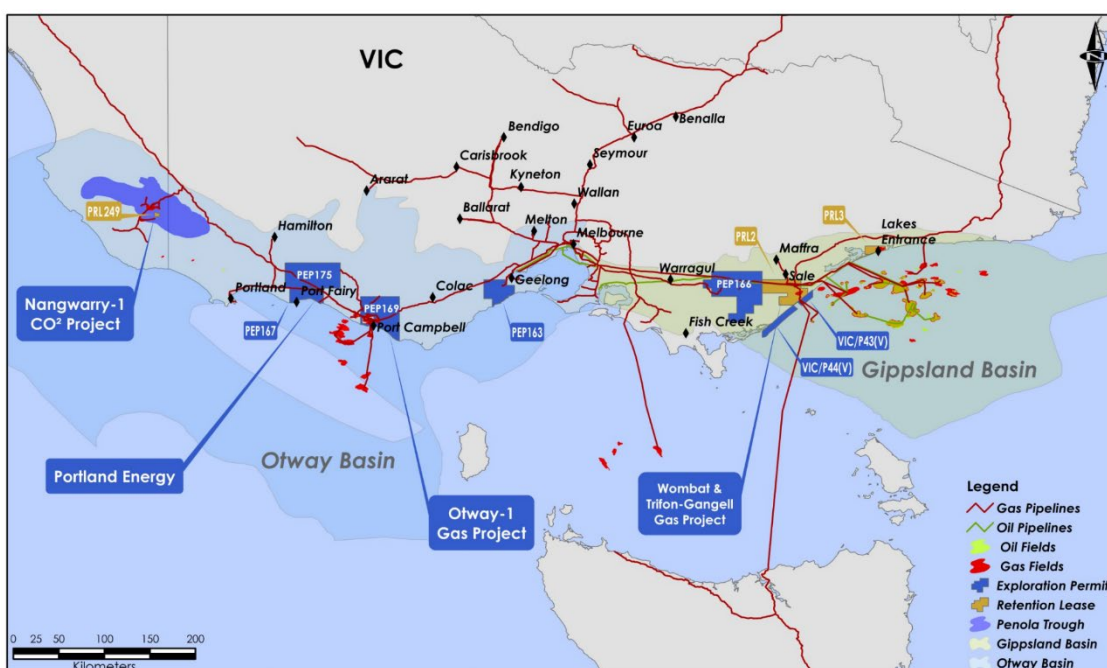
2. Exploration

Lakes Blue Energy holds relevant interests in petroleum and mineral exploration rights in Victoria, Queensland, South Australia, Papua New Guinea and the United States of America. Prospects of key immediate to medium term interest are overviewed below.

i) Victoria

Lakes Blue Energy has tenure over what the Company considers to be the most prospective areas of onshore Victoria (Figure 2). Following expiry of a Victorian Government onshore exploration ban, which prevented onshore exploration from 2012 until 2021, and promulgation of a new regulatory regime in November 2021, resumption of exploration activity is now possible.

Figure 2: Lakes Blue Energy's Victorian Petroleum Exploration Interests



The Company is undertaking work to secure approval for the drilling of several exploration wells in Victoria, details of which are presented below. The Company now anticipates it should be in a position to resume exploration activity by early 2023.

Petroleum Exploration Permit 169 (PEP169):

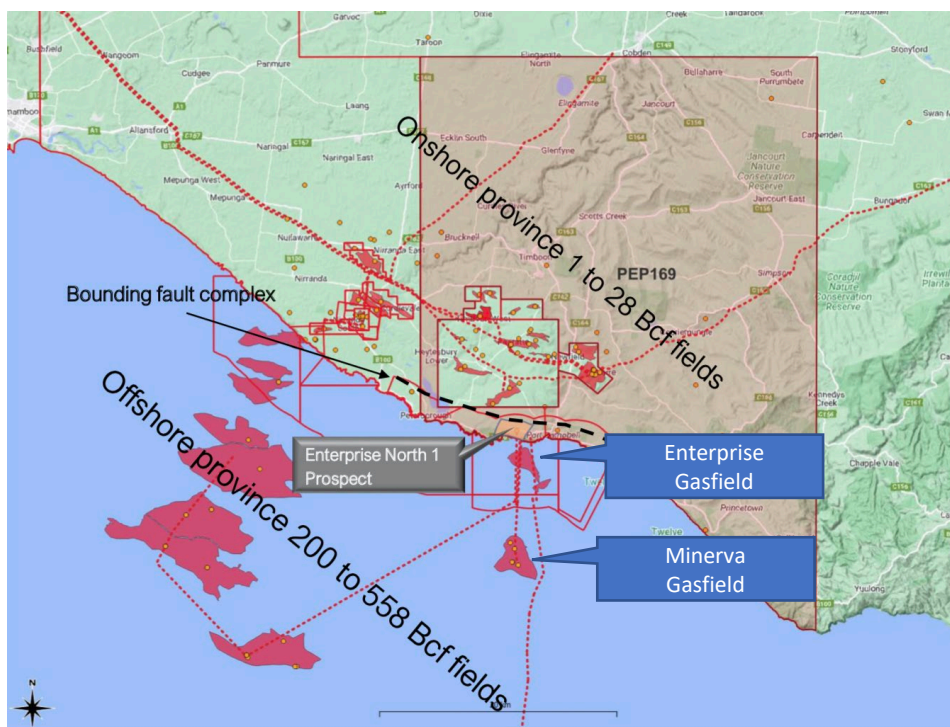
Lakes Blue Energy has a 49% interest in PEP169 with Armour Energy Limited holding the remaining 51% interest. Operatorship of the permit is presently delegated by Armour Energy to Lakes Blue Energy.

The Company has two key exploration objectives within PEP 169 one of which, Enterprise North, was only recently identified through a review of new transition zone seismic and which, given its prospectivity (in terms of both size and probability of success) has become a key priority for the Company.

- ***Enterprise North***

The Enterprise North prospect is located onshore in PEP 169, in close proximity to the Otway and Athena gas processing facilities and the Iona gas storage facility. and is “on-trend” with the Enterprise (Beach Energy Ltd) and Minerva (Cooper Energy Limited) gas fields. The Prospect is on trend with the large, offshore Enterprise and Minerva gasfields.

Figure 3: Location of Enterprise North Prospect

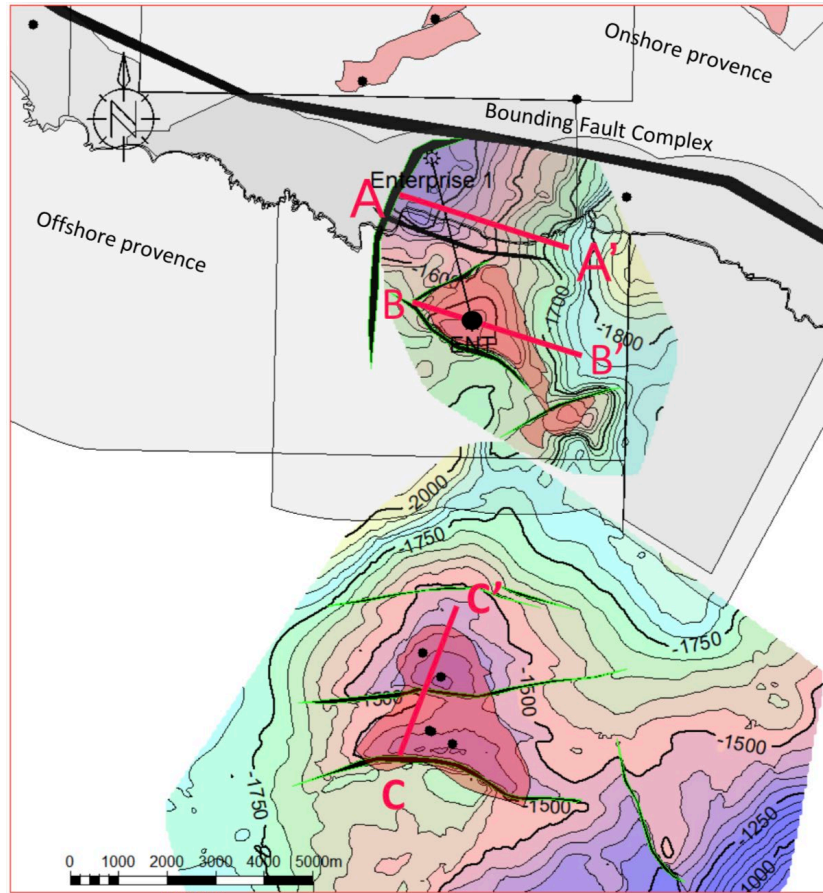


The reservoir rock at Enterprise North is the Waarre Sandstone, which is known to have high porosity (19-25%) and high permeability (1 to 10 Darcy). The Waarre Sandstone is capable of flowing gas at high rates, with 61 million cubic feet per day (MMscfd) achieved during testing of the nearby Enterprise-1 well, and with rates of up to 80 MMscfd expected once the gasfield is developed (Source: Beach Energy Ltd, ASX Release dated 15 February 2021).

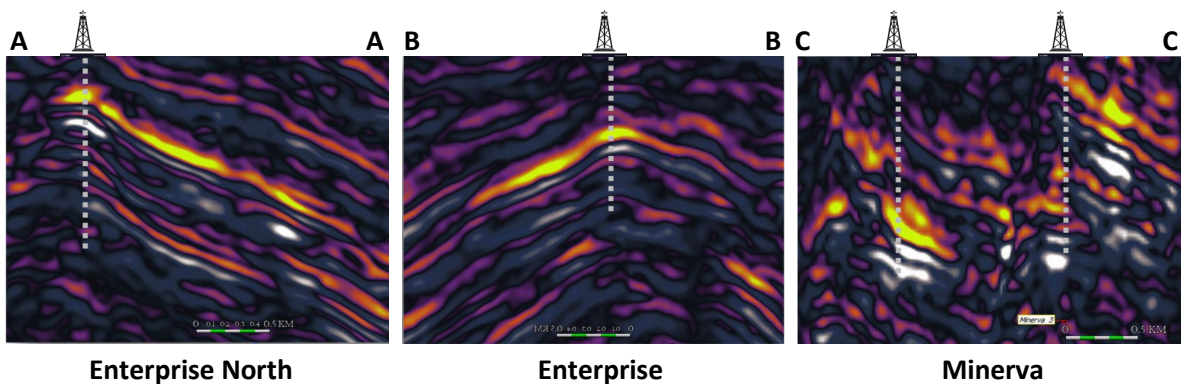
Seismic data from the Enterprise North Prospect has been correlated with that from known gasfields (Enterprise and Minerva) to reduce subsurface risk. Gas charged sands interpreted in seismic studies carried out over the Enterprise North Prospect cause a bright amplitude anomaly on the seismic. This is illustrated in Figure 4, below, along with comparisons between Enterprise North, Enterprise and Minerva.

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Figure 4: Seismic Contour Mapping



Figures 4a, 4b & 4c: Comparison of Seismic Cross-Sections



The Enterprise North Prospect covers an area of up to 1,170 acres. The prognosed thickness of the Waarre Sandstone at Enterprise North is 115 metres, similar to that encountered by Beach Energy at the Enterprise gasfield (Source: Beach Energy Ltd, ASX Release dated 15 February 2021). On this basis the prospective size of the Enterprise North resource is as tabulated below.

Table 2: Estimated Size of Enterprise North, Lognormal Distribution

Unrisked Original Gas in Place (Bcf)			
Low	Mid	Mean	High
24	70	101	209
Unrisked Estimated Recoverable Gas (PJ)			
11.7	32.9	45.9	96.9
Estimated Recoverable Condensate (million Barrels)			
0.3	0.8	1.0	2.5

The resource estimates tabulated above have been prepared compiled from data provided by Armour Energy Limited's Reservoir Engineering Advisor, Mr John Mackintosh. Mr Mackintosh has over 25 years of diverse oil and gas industry experience and has significant reservoir engineering, production technology and operations experience in multiple basins worldwide with a variety of International Operators and Consulting firms. He has previously held roles in Santos (Australia/Houston), Halliburton Consulting (Russia), Wintershall (Norway) and Apache (Egypt). Mr Mackintosh has sufficient experience that is relevant to Armour Energy and Lakes Blue Energy for reserves and resources to qualify as a Reserves and Resources Evaluator as defined in the ASX Listing Rules. Mr Mackintosh has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The main risk associated with the estimates set out in Table 2 relates to the efficacy of the fault seal to the north of the Enterprise North Prospect, where seismic data is sparse. Seismic amplitude anomalies over the Prospect itself indicate closure, seal and gas charge.

The Company is presently working with joint venture partner, Armour energy Limited, to identify the optimal location for the Enterprise North-1 well and will be expediting approvals processes with the objective of drilling the well as early as possible in 2023.

- **Otway-1**

The Otway-1 well is to be a conventional well located adjacent to, but on the opposite side of a fault from, the existing Iona Gas Field. The well will be drilled to a depth of approximately 1,500 metres and will target gas in both the Waarre Sands and the Eumeralla Formation, and oil in the Pebble Point Sandstone.

The Waarre Sands are the basis of historic gas production from the Iona Gas Field and, at the Otway-1 location, are uplifted relative to the Iona Gas Field. While the deeper Eumeralla Formation has not historically been developed for gas production it is also considered to be highly prospective and is a key target of the Otway-1 well. This is because, wherever that Formation has been historically penetrated, it has been gas charged and, at nearby locations, has historically flowed gas at commercial rates. The Company's share of the prognosed Otway-1 resource is 11.25 Bcf of gas (based upon gross 17 Bcf in the Eumerella and 5.5 Bcf in the Warre) and 185,000 barrels of oil.

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Figure 5: Location of Proposed Otway-1 Gas Well



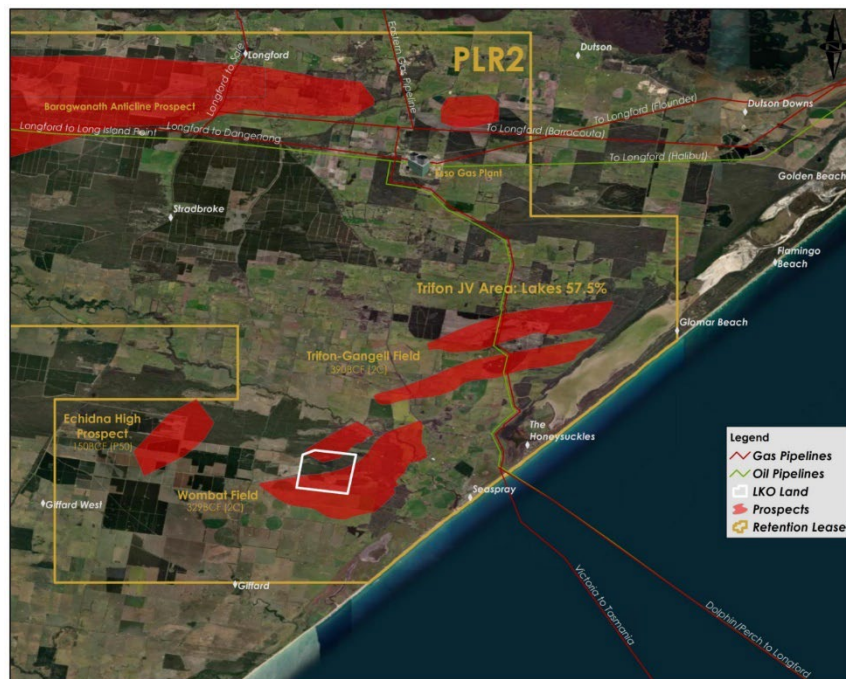
Petroleum Retention Lease 2 (PRL2):

Lakes Blue Energy has 100% interest in PRL2, with the exception of the Trifon and Gangell blocks where the Company has a 57.5% interest and Jarden Corporation Australia Pty Ltd has a 42.5% interest. The presence of gas within the Wombat and Trifon / Gangell gas fields is beyond doubt. The fields contain independently certified Contingent Resources of gas, with existing gas wells already capable of gas production.

Figure 6: Flaring of Gas at Wombat-1 Gas Well



Figure 7: PRL 2

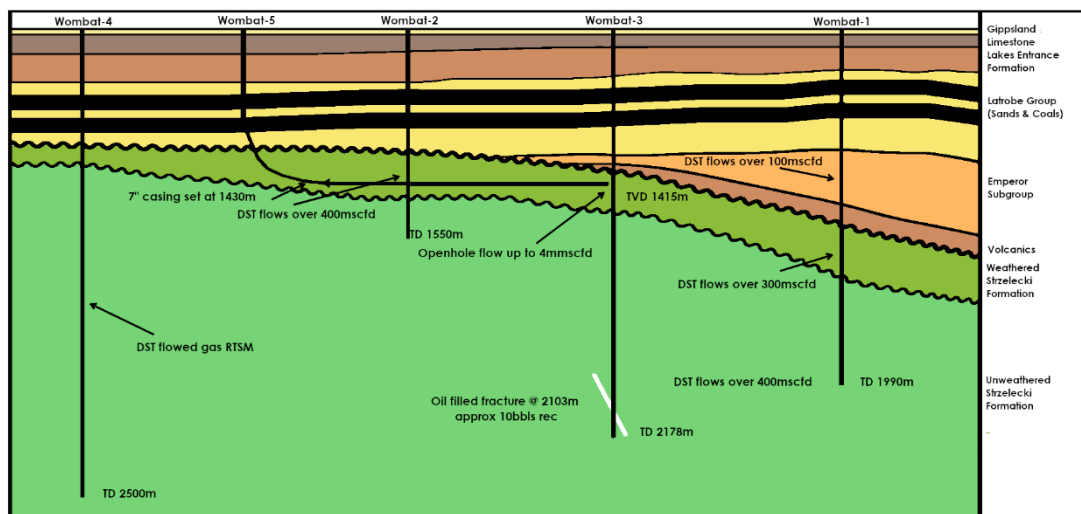


The Company intends to drill the Wombat-5 well, a conventional directionally-drilled well targeting the upper, more permeable section of the massive, gas saturated Strzelecki Formation, as soon approval is secured and funding is available. Work to secure approval for drilling of the well has commenced.

Based upon independent modelling Lakes Blue Energy is optimistic that the Wombat-5 well will flow gas at an initial rate of around 10 TJ/d, rendering both the well and the Wombat Gas Field commercial.

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Figure 8: Cross-section, Wombat-5 Well



Given the onshore location of the Wombat Gas Field, close to existing gas pipeline infrastructure, it is expected that the field could be brought on line quickly (circa 18 months) and at low cost. With a gas production potential of around 20 PJ/a, development of the Wombat Gas Field could provide quick relief for both the present Victorian gas supply shortfall and the high gas prices that have resulted from it.

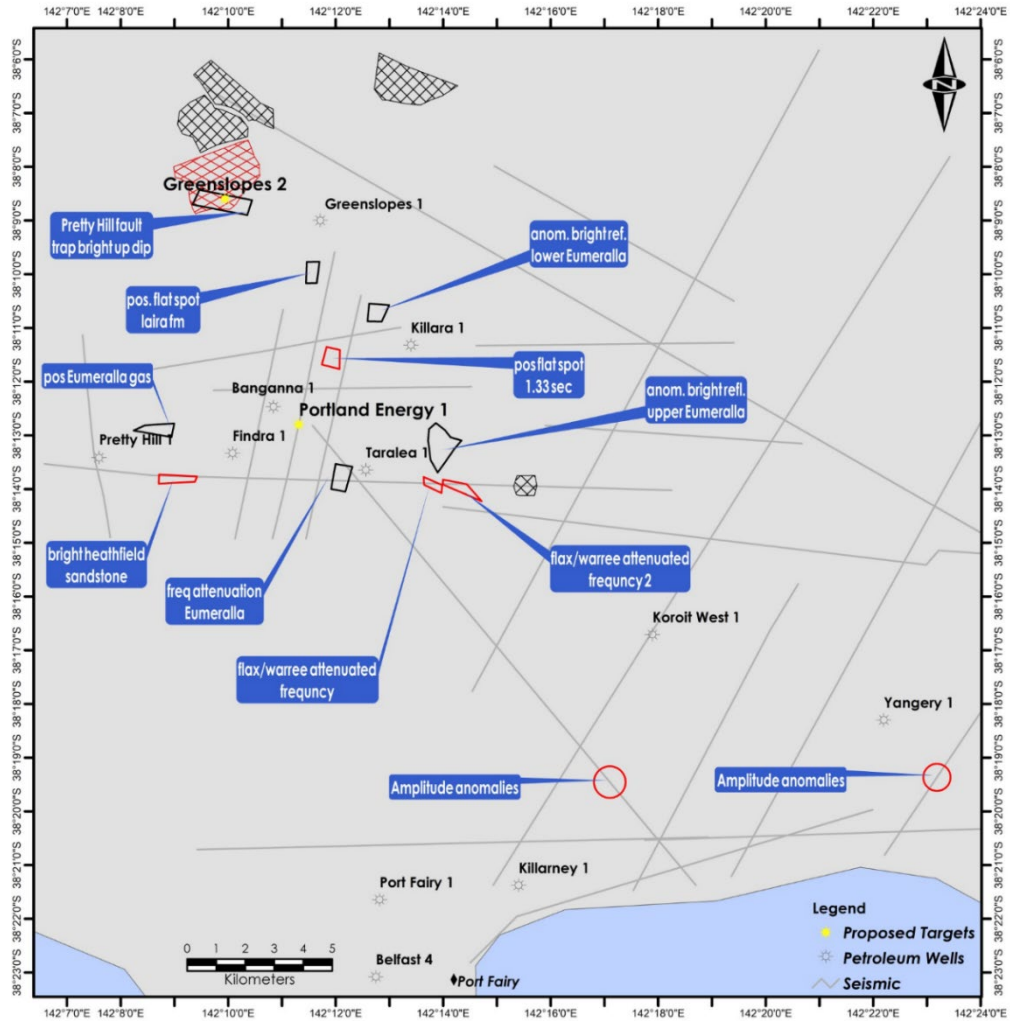
In the longer term, as gas production from the Wombat field declines, the Trifon / Gangell gas field will be brought online.

Petroleum Exploration Permits 167 and 175 (PEP167, PEP175):

Lakes Blue Energy has a 100% interest in PEP167 & PEP175, which were acquired in September 2014 and form the basis of the company's 'Portland Energy Project'. The Portland Energy Project is based upon a Focus Area in the southwestern corner of PEP175, to north of Port Fairy, selected for investigation on the basis of historic seismic and drilling data, and in recognition of the potential for production of gas by conventional means. As is evident in Figure 15, there has been considerable historic drilling activity in and around the Focus Area, all of which has confirmed beyond doubt the presence of natural gas within the thick Eumeralla Formation. While gas was demonstrated to exist, the potential for its production was not historically tested since the search, at that time, was for oil, there was no market available for gas and no gas pipeline infrastructure was present. These circumstances have of course now all changed. Pipeline infrastructure is available and the Victorian gas market (indeed the eastern Australian gas market) is desperate for increased supplies of gas to curtail prohibitive gas price increases.

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Figure 9: Portland Energy Project - Focus Area



With independent expert assistance, the company has identified preferred locations for drilling of two proof-of-concept wells, Greenslopes-2 and Portland Energy-1. Both wells are to be conventional wells, drilled to a depth of around 1,500 metres with the specific purpose of demonstrating that gas can be produced by conventional means from the Eumeralla Formation.

Lakes Blue Energy has commissioned independent assessments that confirm the gas-in-place potential of the Eumeralla Formation. As set out in Table 1, the estimated (50% probability) gas resource of the Focus Area is 11.5 trillion cubic feet, of which the Company considers around 3 trillion cubic feet should be recoverable by conventional means. The Portland Energy Project has the potential to fundamentally change the landscape of gas supply into the eastern Australian gas market.

Petroleum Retention Lease 3 (PRL3):

Lakes Blue Energy has 100% interest in PRL3.

In April 2019 the Victorian Department of Economic Development, Jobs, Transport and Resources (Department) wrote to the Company expressing the view that PRL 3 had 'expired'. This was despite:

- previous Suspension and Extension (S&E) Applications having 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, being outstanding; and
- annual Licence fees having already been paid by the Company.

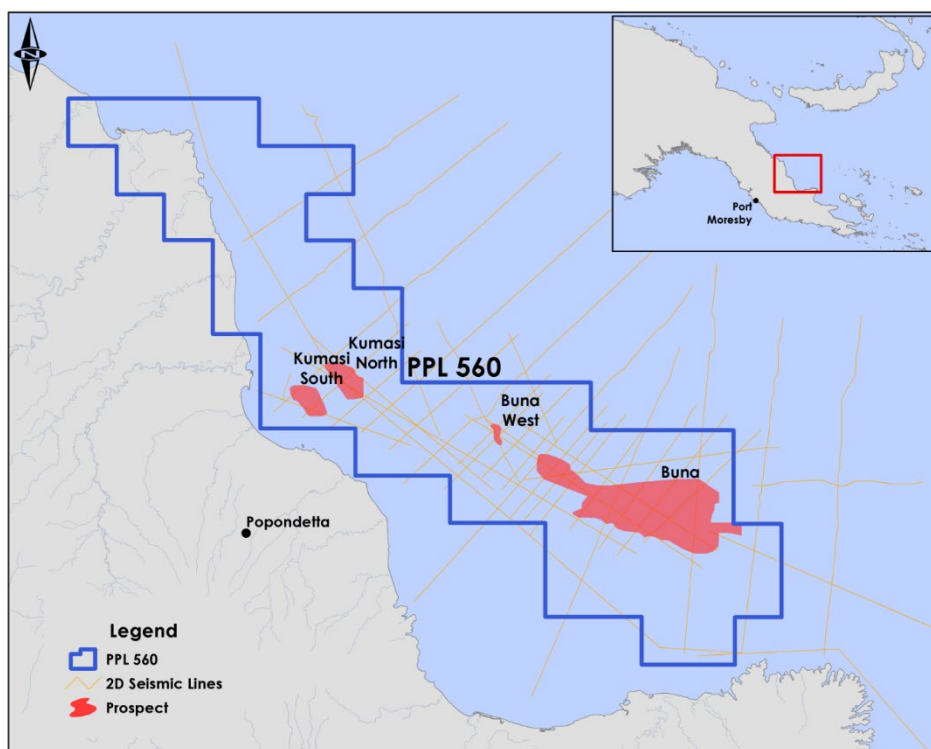
The Department holds the view that the permit has expired and has refused to process S&E Applications that were lodged and paid for in accordance with regulatory requirements.

The Company has reserved its position.

ii) Papua New Guinea

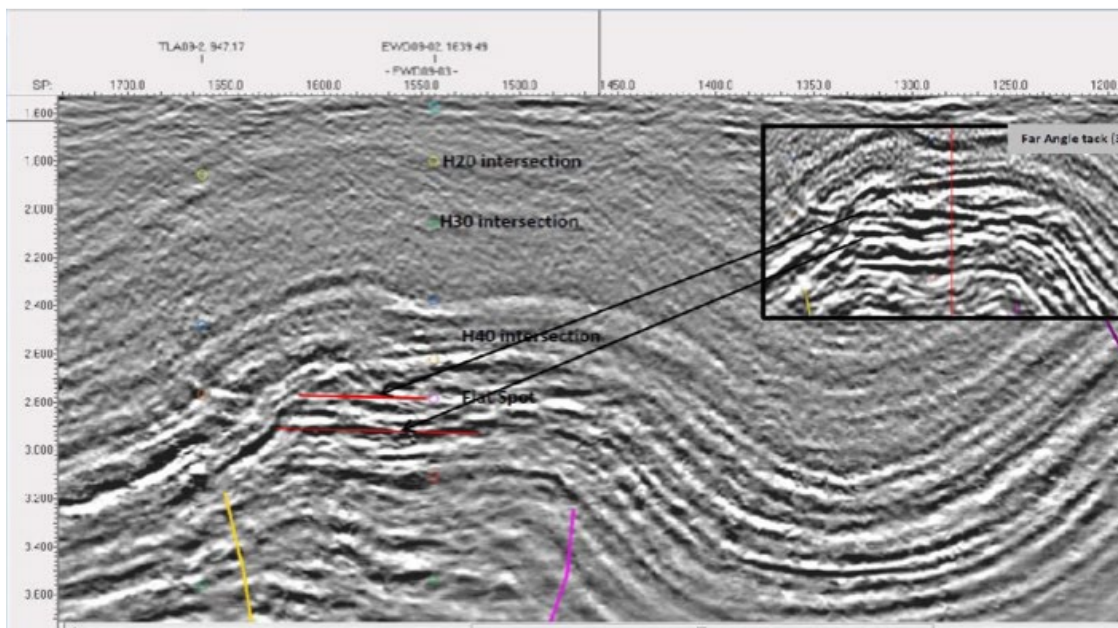
The Company has 100% ownership of three exploration tenements in Papua New Guinea, with Petroleum Prospecting Licence 560 (PPL 560) being of key interest. PPL 560 contains the multi-trillion cubic feet Buna prospect.

Figure 10: PPL 560, Showing Buna Prospect



The exceptional prospectivity of the Buna Prospect is evident in seismic mapping of the prospect. As shown in Figure 11, there is a clear 'flat-spot', representative of a gas liquid interface. The flat-spot is evident in AVO (Amplitude Variation with Offset) studies, which are an historically highly reliable indication of gas-liquid contacts.

Figure 11: Cross-section of Buna Prospect



In July 2022 the Company announce it had, through its subsidiary Rawson Oil and Gas Limited, executed a Technical Collaboration Agreement with TotalEnergies EP PNG Limited (TotalEnergies), a subsidiary of French supermajor TotalEnergies SE, regarding potential development of PNG Petroleum Prospecting Licence 560 (PPL 560).

Under the terms of the TCA:

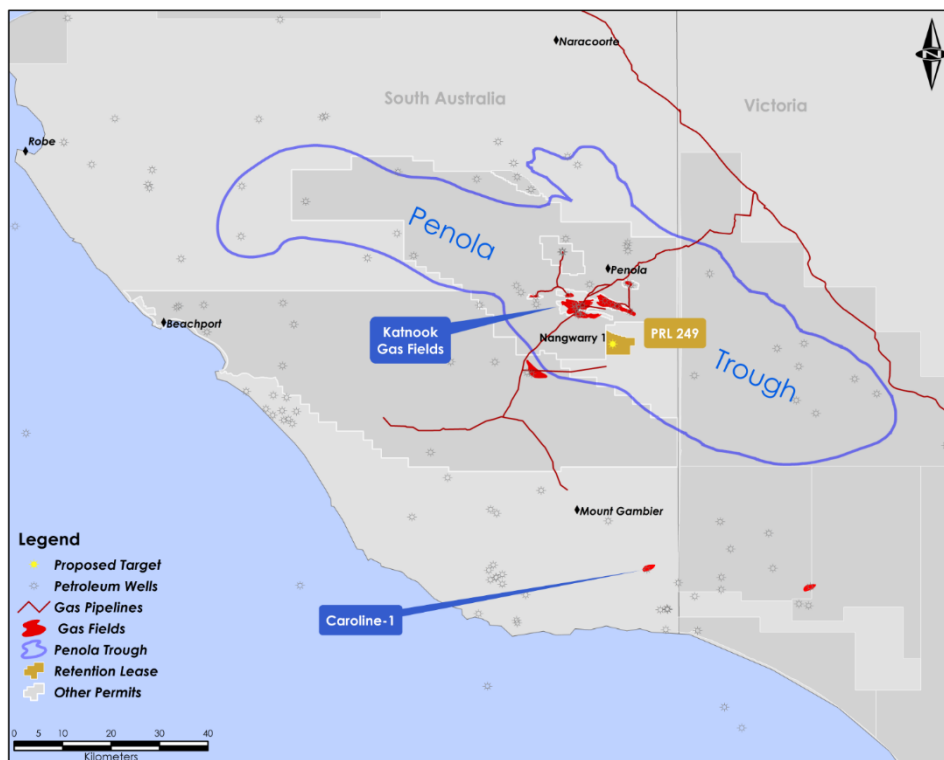
- The Company will immediately collect, and provide to TotalEnergies, rock and fluid samples from the Cape Ward Hunt and Cape Vogel Peninsula areas;
- TotalEnergies will undertake at its cost a Phase A technical work program involving but not limited to geological and geophysical interpretation, evaluation of existing geophysical data, satellite seep study and basin modelling;
- Subject to completion of the Phase A work program TotalEnergies has the option, exercisable on or before 15 December 2022, to undertake at its cost a Phase B work program involving seismic acquisition to delineate the Buna Prospect in preparation for drilling;
- Subject to completion of the Phase B work program TotalEnergies has the option, exercisable on or before 15 December 2024, to acquire a 75% interest in PPL560; and
- If TotalEnergies exercises the option to acquire a 75% interest in PPL560 then TotalEnergies will fund the first US\$30m of the cost of drilling a first exploration well within PPL560, with any additional cost shared by the joint venture. The Company will retain a 25% interest in the prospect.

At the date of this Report the rock and fluid sampling program was underway. The purpose of the sampling program is to collect and then analyse samples of rocks and fluids (both liquids and gas) from locations where the potential source and reservoir rocks outcrop and where oil and/or gas seeps have been recently reported. Recent reconnaissance activities and discussions with the local province leaders have identified a number of previously unrecorded oil seeps which will be targeted during the sampling program. Samples will be collected from both onshore and offshore locations, in the latter case where local fishermen have recently observed gas bubbling from the seafloor.

iii) South Australia: Petroleum Retention Licence 249 (PRL 249)

Through its subsidiary, Otway Energy Pty Ltd, the Company holds 50% of, and operates, PRL 249. The Company's net interest in the Licence is 46.76%, after allowing for minor third-party interests in Otway Energy Pty Ltd.

Figure 12: Nangwarry Project Location



PRL 249 contains the Nangwarry Carbon Dioxide Project. Discovered in 2020, the Project has a very high (90% or greater) content of pure carbon dioxide, making it potentially attractive for development to produce carbon dioxide for industrial, medical and food uses.

Extended flow testing of the Nangwarry well, carried out in March 2021, showed that the well was capable of producing raw gas at rates up to 18.6 MMscfd, and provided a basis for the following independent certification of the recoverable sales gas volume of carbon dioxide (CO₂) contained within the Nangwarry reservoir.

Table 3: Independently Certified CO₂ Sales Gas Volume

Gross CO ₂ Sales Gas (Bscf) For PEL 155		
Low	Best	High
9.0	25.9	64.4

Net CO ₂ Sales Gas (Bscf) 50% LKO		
Low	Best	High
4.5	12.9	32.2

Notes to Table:

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 CO₂ 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.

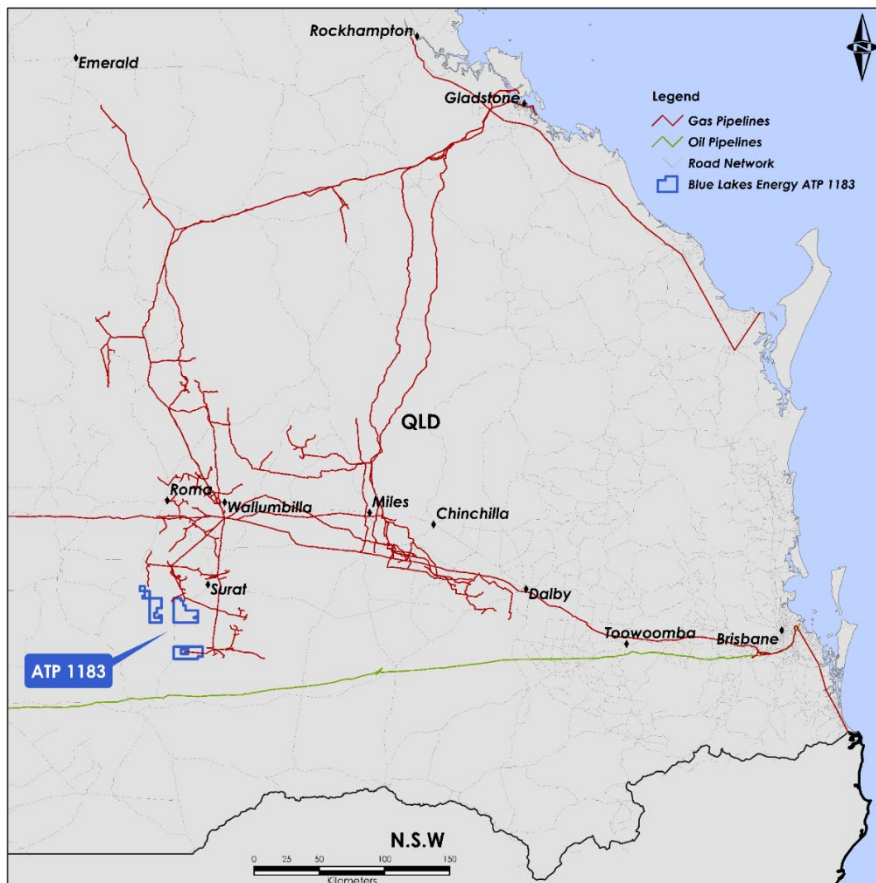
ERCE's work was supervised by Mr Adam Becis, Principal Reservoir Engineer at ERCE, who has over 14 years of experience in the oil and gas industry. He is a member of the Society of Petroleum Engineers and also a member of the Society of Petroleum Evaluation Engineers. Mr Becis has consented to the form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

The Company, with joint venture partner Vintage Energy Pty Ltd, is investigating options for production of food-grade carbon dioxide from the Nangwarry resource. Conceptually, gas production could commence at around 1.5 MMcf/d (to produce 75 T/d of CO₂) and grow to 3.0 MMcf/d (150 T/d of CO₂).

iv) Queensland: Authority to Prospect 1183 (ATP 1183) - Roma Shelf Oil and Gas Project

The Company holds 100% of ATP 1183, which is located in close proximity to established production facilities and infrastructure, as shown in Figure 13. There are existing gas processing facilities at Silver Springs (AGL) and Kincora (Armour Energy).

Figure 13: ATP 1183 Location



ATP 1183 contains multiple exploration targets, as illustrated in Figure 14 and summarised in Table 4.

Figure 14: Exploration Prospects Within ATP 1183

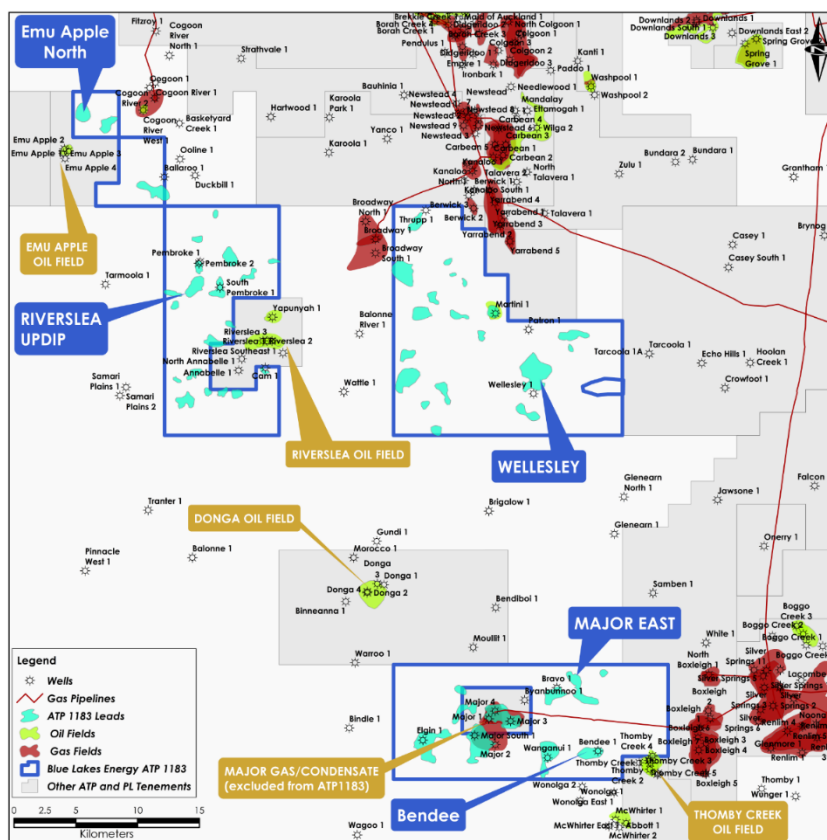


Table 4: ATP 1183 Resource Potential

Prospect	Potential (Economic Ultimately Recoverable)
Emu Apple	1.3 MMBbl oil
Riverslea Updip	7.5 MMBbl oil across 17 targets
Major	8.5 Bcf gas across 5 targets
Bendee	0.2 MMBbl oil
Wellesley	85 - 112 Bcf gas across 18 targets

The estimates set out in Table 4 are best estimates prepared on a deterministic basis by Mr Peter Bubendorfer, Geotechnical Assessor, Armour Energy Limited. Mr Bubendorfer holds a BSc in Geology, is a member of AAPG, and has over 22 years of relevant experience in hydrocarbon exploration and production. He has consented to the use of the estimate in the form and context in which it appears in this report.

As a precondition to the 2022 resumption of trading of the Company's shares on the ASX platform (see page 21), in February 2022 the Company drilled the Wellesley-2 exploration well. The well was drilled to a total depth of 1,650 metres but failed to discover gas and was plugged and abandoned on 22 February 2022. The well provided valuable data to assist with formulation of future exploration plans.

LAKES BLUE ENERGY NL
Exploration and corporate operations report
30 June 2022

After completion of the near-term Victorian exploration program, the Company will resume exploration activity in Queensland. As regards the Wellesley Prospect, the Company envisages it may carry out an iodine survey to assist with design of a 3D seismic survey to better delineate the Wellesley Dome structure and, in turn, allow selection of site(s) for future exploration drilling.

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Directors' report

30 June 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Lakes Blue Energy NL (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2022.

Directors

The following persons were directors of Lakes Blue Energy NL during the whole of the financial year and up to the date of this report:

Richard Ash (Non-Executive Chairman)
Roland Sleeman (Executive Director)
Nicholas Mather (Non-Executive Director)

Principal activities

During the period the principal continuing activities of the consolidated entity consisted of Exploration for oil and gas within Australia and Papua New Guinea.

Financial Results

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$14,244,904 (30 June 2021: \$4,205,480).

Interest and other income for the period amounted to \$36,713 (2021: \$189,776).

Total expenses for the financial year were \$14,281,617 (2021: \$4,395,256). The major expenses for the year were finance costs of \$1,307,717 (2021: \$1,439,022), as well as the provision for impairment of the consolidated entity's exploration and evaluation assets, which amounted to \$11,529,794 (2021: \$1,431,304). Employee benefit expenses amounted to \$265,410 (2021: \$255,860).

Financial Position

The net assets of the consolidated entity decreased by \$6,598,166 to \$6,461,622 as at 30 June 2022 (2021: \$13,059,788). The consolidated entity's working capital position, being current assets less current liabilities was in deficit of \$6,411,407 at 30 June 2022 (2021: \$472,869), primarily due to the expiry of convertible notes in March 2023, which have a balance of \$8,178,391 as at 30 June 2022. During the period the consolidated entity had a negative cash flow from operating activity of \$1,412,937 (2021: \$2,073,338).

Significant changes in the state of affairs

i) Resumption of Trading of Company's Shares

Trading of the Company's shares was suspended in October 2019 following late lodgement of the Company's 2019 Annual Report.

Despite the Company raising funds on an as required basis to meet commitments and carrying out drilling and testing of the Nangwarry-1 well, it was not until October 2021 that the Company was able to secure conditional approval of the Australian Stock Exchange (ASX) for recommencement of trading. The ASX approval was conditional on:

- Issue by the Company of a full-form Prospectus;
- Raising of a minimum of \$3.55m capital; and
- Commencement of earthworks for drilling of the Wellesely-2 well in Queensland.

These conditions were all satisfied. Earthworks for the Wellesely-2 well were commenced on 29 December 2021, a full-form Prospectus was lodged with ASIC and the ASX on 20 January 2022, and the Company successfully raised \$5.489m. Trading of the Company's shares resumed on 7 February 2022.

ii) Capital Raising

On 7 January 2022 the Company lodged a full form prospectus with ASIC and the ASX, offering shares at an issue price of \$0.0008 per share. Subsequently, a Revised Prospectus was lodged to address comments raised by ASIC.

The maximum to be raised under the Prospectus was \$4,342,810, with a minimum requirement of \$2,404,000. The minimum raising was assured through a firm, advance subscription commitment of \$800,000 and an underwriting of \$1,604,000.

The Company also made conditional placements of shares to sophisticated investors to a value of \$1,146,000. The placements were conditional upon resumption of trading of the Company's shares.

In July 2022 the Company raised a further \$1 million on the same terms (\$0.0008 per share) as applied to the January 2022 raising. 550,000,000 new shares were issued on 14 July 2022 followed by 700,000,000 new shares issued on 25 July 2022

iii) Convertible Notes

On 23 July 2021 the Company issued 1,052,913,204 Convertible Notes. 610,022,626 of these were issued by way of payment of interest to June 2021 on pre-existing Convertible Notes. 416,309,300 were issued in exchange for cash subscribed to the Company in May 2021. The balance of 26,581,278 were issued in retirement of debt payable by the Company.

On 1 April 2022 940,894,958 Convertible Notes were issued. Of these, 937,228,291 were by way of interest to December 2021 on Convertible Notes held by unrelated parties or by way of interest to June and December 2021 on Convertible Notes held by related parties. The balance of 3,666,667 Convertible Notes issued was by way of retirement of a debt payable to a related party. The issue of Convertible Notes to related parties was approved by shareholders at the Company's Annual General Meeting held on 25 March 2022.

On 1 August 2022 650,666,076 Convertible Notes were issued by way of payment of interest to June 2022 on Convertible Notes held by unrelated parties. Interest payable on Convertible Notes held by related parties will be paid by way of further issue of Convertible Notes subject to receipt of shareholder approval.

iv) Research and Development Grant

Over the period from 2006 to 2013 the Company received Research and Development (R&D) rebates from the Australian Government for experimental exploration activities. Following the Victorian Government's introduction of a fracking ban, the Company refocussed its R&D activity onto development of technology(s) for production of its

LAKES BLUE ENERGY NL

Directors' report

30 June 2022

large, already discovered Victorian gas resources without need for fracture stimulation. R&D rebates were also received for this work, including \$1.03m in respect of 2013/14.

In early 2016 Ausindustry undertook reviews of, and subsequently rejected, the Company's claims for 2013/14 and 2014/15.

Following an internal review of Ausindustry's decision, which reaffirmed the rejection decision, the Company applied to the Administrative Appeals Tribunal (AAT) for independent review. While the independent review was completed over 18 months ago, in early February 2021, at the date of the Report the Tribunal has not handed down its decision.

Pending the Tribunal's decision, the Australian Taxation Office (ATO) issued a revised taxation assessment, seeking repayment of the 2013/14 rebate. The Company is presently paying \$20,000 per month to the ATO pending the outcome of the Administrative Appeals process.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Likely developments and expected results of operations

The consolidated entity is about to embark upon an active exploration program onshore in Victoria. Key components of this program include drilling of the Enterprise North-1 well and, finances permitting, drilling of the Wombat-5 and Otway-1 wells.

Environmental regulation

Lakes Blue Energy and its subsidiaries holds interest in petroleum exploration permits and mineral licences in Australia (Victoria, South Australia and Queensland), Papua New Guinea and the United States of America. All of these permits and licences impose regulations regarding environmental issues. There have been no known breaches of the environmental regulations during the financial year.

Information on directors

Name:	Richard Ash
Title:	Non-Executive Chairman
Qualifications:	BEC, CA
Experience and expertise:	Mr Ash is a Chartered Accountant and has a Bachelor of Economics degree with more than 30 years of experience in funds management and finance in Australia and Asia. Prior to forming AAP Capital, Mr Ash was a Managing Director, Head of Asset Finance for Developed Asia and a member of the Australian executive team for Nomura Australia. He has also worked at Westpac, Macquarie Bank and KPMG.
Other current directorships:	R3D Resources (ASX:R3D)
Former directorships (last 3 years):	Nil
Special responsibilities:	Nil
Interests in shares:	375,428,876 fully paid ordinary shares
Interests in rights:	Nil

LAKES BLUE ENERGY NL

Directors' report

30 June 2022

Name: Roland Sleeman
Title: Executive Director and Chief Executive Office
Qualifications: B.Eng (Mech)
Experience and expertise: Mr Sleeman has 34 years experience in oil and gas as well as utilities and infrastructure.

Mr Sleeman has served in senior management roles, including with Eastern Star Gas Limited as Chief Commercial Officer and AGL as General Manager of the Goldfields Gas Pipeline.

Other current directorships: Nil
Former directorships (last 3 years): Nil
Special responsibilities: Nil
Interests in shares: 399,189,715 fully paid ordinary shares
Interests in rights: 954,208,825 unlisted convertible notes

Name: Nicholas Mather
Title: Non-Executive Director
Qualifications: BSc (Hons. Geology) MAusIIM
Experience and expertise: Mr. Mather has served on the Board since February 2012 and in addition is currently Managing Director and founder of DGR Global Limited, Executive Chairman and founder of Armour Energy Ltd and Director (and co-founder) of SolGold Plc (LSE AIM). Mr. Mather has been involved in the junior resource sector at all levels for more than 30 years and was co-founder and a Non-Executive Director of Bow Energy Ltd until it was acquired by Arrow Energy NL for \$530 million in December 2011. Mr. Mather was also co-founder and served as an Executive Director of Arrow Energy NL until 2004. Arrow Energy NL was acquired by Royal Dutch Shell Plc and the PetroChina Group, for a value of approximately \$3.5 billion in 2010. Mr. Mather is Executive Chairman of Armour Energy Ltd and was also Chairman of Waratah Coal Inc. before its \$130 million takeover by Clive Palmer's Mineralogy Ltd in 2009.

Other current directorships: DGR Global Limited (ASX: DGR), SolGold Plc (LSE: SOLG), Amour Energy Ltd (ASX: AJQ), AusTim Mining Ltd (ASX: ANW), Iron Ridge Resources Limited (LSE: IRR) and NewPeak Metals Limited (ASX: NPM) (Formerly Dark Horse Resources (ASX: DHR))
Former directorships (last 3 years): Nil
Special responsibilities: Nil
Interests in shares: 193,000,408 fully paid ordinary shares
Interests in rights: 654,661,348 unlisted convertible notes

Company secretary

Elissa Hansen

Elissa is a Chartered Secretary with over fifteen years' experience advising management and boards of ASX listed companies on governance, investor relations and other corporate issues. She is a director of several unlisted companies and has extensive company secretarial experience, acting as Company Secretary for several public, ASX listed and private companies. Elissa is an associate member of the Institute of Chartered Secretaries Australia and Graduate Member of the Australian Institute of Company Directors. She holds a Bachelor of Commerce and a Graduate Diploma in Applied Corporate Governance.

Interests in shares: 12,500,000 fully paid ordinary shares

LAKES BLUE ENERGY NL

Directors' report

30 June 2022

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2022, and the number of meetings attended by each director were:

	Full Board	
	Attended	Held
Richard Ash	4	4
Roland Sleeman	4	4
Nicholas Mather	3	4

Held: represents the number of meetings held during the time the director held office. During the year in review there were multiple informal meetings and any resolutions required to be passed were done so at a formal board meeting.

During the year under review there were no meetings of the Nomination and Remuneration Committee as there were neither increases in remuneration nor new employees hired other than those which were initiated and approved by the entire Board of the Company. The Company does not have separately established committees and as such the Board will fulfill the roles of the Audit and Risk Committee and also the Nomination and Remuneration Committees.

Remuneration report (audited)

Remuneration policy

The board of directors of Lakes Blue Energy NL is responsible for determining and reviewing compensation arrangements for the directors, the Chairman, Executive Officers and other employees.

The remuneration report is set out under the following main headings:

- Details of remuneration
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Recognising the size and nature of the Company the Board does not presently have a separately established Nomination and Remuneration Committees. These responsibilities are fulfilled by the Board.

The Board assesses the appropriateness of the nature and amount of emoluments for non-executive directors with reference to performance, relevant comparative remuneration and independent expert advice with the objective of retaining a high-quality board to ensure maximum stakeholder benefit. The non-executive directors receive fees in arrears and do not receive bonus payments.

ASX Listing rules require that the aggregate non-executive directors' remuneration shall be determined periodically by a general meeting. The most recent such determination was at the Annual General Meeting held on 16 January 2017, where the shareholders approved a maximum aggregate remuneration of \$300,000. No amendments have been made to the available Non-Executive director remuneration pool since that date.

The Board also assesses the appropriateness of the nature and amount of emoluments for the Executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality executive.

The Board has responsibility to review the appropriateness of the nature and amount of emoluments for Senior Executives as recommended by the Chief Executive Officer (CEO). These recommendations are made by the CEO on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality team.

LAKES BLUE ENERGY NL

Directors' report

30 June 2022

For directors and staff, the consolidated entity provides a remuneration package that consists of cash and equity-based remuneration. The contracts for services between the consolidated entity and specified directors are on a continuing basis and the terms of which are not expected to change. A contract for services between the consolidated entity and the Chief Operating Officer (COO) was put in place following the end of the year.

The consolidated entity uses various forms of employment agreement, all of which can be terminated with notice by either party. These agreements, which do not specify fixed periods of employment (excluding the COO agreement which specifies a fixed term), can unless otherwise specified be terminated by either party with a notice period of four weeks. Termination payments comprise the base salary payment for the duration of the applicable notice period, plus any statutory entitlements owing, such as outstanding annual and long service leave entitlements and superannuation contributions.

Lakes Blue Energy NL determines the maximum amount for remuneration, including thresholds for share-based remuneration, and bonus payments, if any, by directors' resolution.

There were no at-risk compensation components forgone during the year.

Voting and comments made at the company's 25 March 2022 Annual General Meeting ('AGM')

The Company received 94.44% of 'for' votes in relation to its remuneration report for the year ended 30 June 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

LAKES BLUE ENERGY NL

Directors' report

30 June 2022

Details of remuneration

Named directors and executives

The names and positions of each person who held the position of director or executive management at any time during the financial year is provided below.

Richard Ash, Non-Executive Chairman

- Appointed as Chairman on 4 December 2019;
- Term of agreement – commencing 4 December 2019 and subject to re-election as required by the Company's constitution;
- Cessation date:
 - the third anniversary of the date of election; and
 - the end of the third annual general meeting of the Company after election; unless
 - re-elected as a Director by Shareholders or appointment terminated earlier in accordance with the constitution or *the Corporations Act 2001* (Cth);
- Annual fees
 - \$33,333 p.a. in Directors fees inclusive of superannuation with no termination benefits;

Roland Sleeman, Executive Director and Chief Executive Officer

- Appointed as Executive Director on 21 November 2019;
- Term of agreement – commencing 21 November 2019 and subject to re-election as required by the Company's constitution;
- Cessation date:
 - the third anniversary of the date of election; and
 - the end of the third annual general meeting of the Company after election; unless
 - re-elected as a Director by Shareholders or appointment terminated earlier in accordance with the constitution or *the Corporations Act 2001* (Cth);
- Annual fees
 - \$33,333 p.a. in Directors fees inclusive of superannuation with no termination benefits;
 - \$78,000 p.a. in CEO fees, inclusive of superannuation with no termination benefits. Ad-hoc additional hours charged at \$320 per hour where applicable.

Nicholas Mather, Non-Executive Director

- Appointed as Non-Executive Director on 7 February 2012;
- Term of agreement – commencing 7 February 2012 and subject to re-election as required by the Company's constitution;
- Cessation date:
 - the third anniversary of the date of election; and
 - the end of the third annual general meeting of the Company after election; unless
 - re-elected as a Director by Shareholders or appointment terminated earlier in accordance with the constitution or *the Corporations Act 2001* (Cth);
- Annual fees
 - \$33,333 p.a. in Directors fees inclusive of superannuation with no termination benefits.

LAKES BLUE ENERGY NL

Directors' report

30 June 2022

Tim O'Brien, Chief Operating Officer

(As per latest executive Service Agreement)

- Agreement renewed 1 January 2022;
- Term of agreement – 1 January 2022 to 1 January 2025;
- Remuneration package:
 - \$300,000 p.a. fixed remuneration inclusive of salary and superannuation;
 - Up to \$40,000 p.a. 'at risk' bonus inclusive of superannuation at the discretion of the Board; and
 - 120,000,000 fully paid ordinary shares in the capital of the Company, vesting in four equal tranches on the 1st of July each calendar year following the date of this agreement.

There are two executives in the consolidated entity who hold positions of a senior nature that directly influence the overall direction of the consolidated entity's focus as named below:

- Roland Sleeman (Chief Executive Officer)
- Tim O'Brien (Chief Operating Officer)

LAKES BLUE ENERGY NL
Directors' report
30 June 2022

Amounts of remuneration

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Termination payments	Leave entitlement	Super-annuation	Long service leave	Equity-settled *	
2022	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Richard Ash	-	-	-	-	-	33,333	33,333
Nicholas Mather	-	-	-	-	-	33,333	33,333
<i>Executive Director and CEO:</i>							
Roland Sleeman**	230,865	-	-	-	-	33,333	264,198
<i>Other Key Management Personnel:</i>							
Tim O'Brien	181,496	-	18,850	21,969	4,894	38,200	265,409
	<u>412,361</u>	<u>-</u>	<u>18,850</u>	<u>21,969</u>	<u>4,894</u>	<u>138,199</u>	<u>596,273</u>

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Termination payments	Leave entitlement	Super-annuation	Long service leave	Equity-settled	
2021	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Richard Ash***	-	-	-	-	-	61,111	61,111
Nicholas Mather	-	-	-	-	-	33,333	33,333
<i>Executive Director and CEO:</i>							
Roland Sleeman**	45,499	-	-	-	-	123,569	169,068
<i>Other Key Management Personnel:</i>							
Tim O'Brien	169,696	-	-	20,871	282	100,000	290,849
	<u>215,195</u>	<u>-</u>	<u>-</u>	<u>20,871</u>	<u>282</u>	<u>318,013</u>	<u>554,361</u>

* Any unpaid or accrued amounts owing at 30 June 2022 are anticipated to be settled in shares.

** Mr Sleeman invoices the Company on monthly basis for CEO services. For the period to October 2021 he billed a minimum monthly fee of \$6,500 (\$78,000 per annum), as was set out in an employment contract that expired on 7 June 2018 but was not replaced, with hours in excess of 40 per month billed separately. From November 2021 Mr Sleeman has billed at a rate of \$320 per hour with no monthly minimum. Mr Sleeman is also entitled to a Director fee of \$33,333 per annum. The balance of the invoice amount for the year is expected to be settled in equity instruments. As such, the balance has been disclosed in "Equity settled" column.

*** \$27,778 was accrued for Mr Ash for Company Secretarial services provided between July 2020 and April 2021.

LAKES BLUE ENERGY NL
Directors' report
30 June 2022

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - LTI	
	2022	2021	2022	2021
<i>Non-Executive Directors:</i>				
Richard Ash	100%	100%	-	-
Nicholas Mather	100%	100%	-	-
<i>Executive Director and CEO:</i>				
Roland Sleeman	100%	100%	-	-
<i>Other Key Management Personnel:</i>				
Tim O'Brien	100%	100%	-	-

Share-based compensation

Issue of shares

A total of 317,523,085 fully paid ordinary shares were issued to directors in lieu of directors and consulting fees during the year, as approved at the Company's Annual General Meetings held on 25 March 2022.

Options

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2022.

Performance rights

There were no performance rights over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2022.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2022 are summarised below:

	2022	2021	2020	2019	2018
	\$	\$	\$	\$	\$
Revenue (excluding fair value gains and losses) (\$'000)	36,713	189,776	1,741,053	871,567	20,337
Loss before tax (\$'000)	(14,244,904)	(4,205,480)	(624,653)	(3,349,348)	(2,040,130)
Share price (\$)	0.0010	0.0015	0.0015	0.0010	0.0020

The remuneration policy is not directly related to the consolidated entity's performance and the above data is provided for information only.

LAKES BLUE ENERGY NL**Directors' report****30 June 2022*****Additional disclosures relating to key management personnel******Shareholding***

The number of shares in the Company held during the financial year by any director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Balance at the end of the year
<i>Ordinary shares</i>			
Richard Ash	322,200,242	53,228,634	375,428,876
Roland Sleeman	166,144,952	233,044,763	399,189,715
Nicholas Mather	161,750,720	31,249,688	193,000,408
Tim O'Brien	119,600,000	47,750,000	167,350,000
	769,695,914	365,273,085	1,134,968,999

Convertible notes

The number of convertible notes held during the financial year by any director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Additions	Converted into ordinary shares	Balance at the end of the year
<i>Convertible notes</i>				
Richard Ash	-	-	-	-
Roland Sleeman	822,295,477	131,913,348	-	954,208,825
Nicholas Mather	566,500,000	88,161,348	-	654,661,348
Tim O'Brien	360,006,336	321,033,919	-	681,040,255
	1,748,801,813	541,108,615	-	2,289,910,428

Other transactions with key management personnel and their related parties

All amounts paid to Directors and director-related entities were charged on commercial and arm's-length terms and conditions.

Mr Nicholas Mather is a Director of Armour Energy Ltd. Armour Energy Ltd is party to an agreement with Lakes Blue Energy NL as described in the tenement table detailed in the shareholder information section.

Mr Nicholas Mather's remuneration is settled via an entity that is controlled by Mr Mather called Samuel Capital Pty Ltd.

Mr Roland Sleeman's remuneration is also settled via an entity controlled by Mr Sleeman ATF The Sleeman Trust.

This concludes the remuneration report, which has been audited.

LAKES BLUE ENERGY NL

Directors' report

30 June 2022

Shares issued on the exercise of options

There were no ordinary shares of Lakes Blue Energy NL issued on the exercise of options during the year ended 30 June 2022 (30 June 2021: Nil) and up to the date of this report.

Shares issued on the exercise of performance rights

There were no ordinary shares of Lakes Blue Energy NL issued on the exercise of performance rights during the year ended 30 June 2021 and up to the date of this report.

Shares under unlisted convertible redeemable notes

During the year ended 30 June 2022, the Company issued 1,993,808,162 convertible redeemable notes to sophisticated and professional investors. The notes have an issue price and face value of \$0.0009 (0.09 cents) per note, an interest rate of 15% per annum payable in arrears half yearly and have a maturity date of 31 March 2023.

As at 30 June 2022 and up to the date of this annual report, 2,479,654,482 convertible redeemable notes were converted into fully paid ordinary shares.

As at the date of this annual report, the Company had 10,033,288,782 convertible redeemable notes on issue.

Indemnity and insurance of officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Officers of the Company who are former partners of William Buck

There are no officers of the Company who are former partners of William Buck.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

William Buck continues in office in accordance with section 327 of the Corporations Act 2001.

There were no non-audit services provided during the financial year by the auditor.

Rounding of amounts

Lakes Blue Energy NL is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

LAKES BLUE ENERGY NL
Directors' report
30 June 2022

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Richard Ash
Chairman

30 September 2022

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF LAKES BLUE ENERGY NL

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2022 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

A. A. Finnis

A. A. Finnis
Director

Melbourne, 30 September 2022

Lakes Blue Energy NL
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Note	2022 \$	2021 \$
Interest income		7,094	3,686
Other income	4	29,619	186,090
Total revenue and other income		36,713	189,776
Employee benefits expense		(265,410)	(255,860)
Depreciation expense	5	(3,990)	(5,145)
Impairment expense on exploration and evaluation assets	5	(11,529,794)	(1,431,304)
Accounting and audit expense		(172,423)	(94,000)
Exploration expense	5	(77,210)	(172,241)
Administrative expense	5	(378,029)	(590,156)
Consulting expense		(424,712)	(271,006)
Finance costs		(1,307,717)	(1,439,022)
Rent and occupancy expense		(55,332)	(44,149)
R&D repayable		(67,000)	(92,373)
Loss before income tax expense		(14,244,904)	(4,205,480)
Income tax expense	6	-	-
Loss after income tax expense for the year		(14,244,904)	(4,205,480)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss		(14,244,904)	(4,205,480)
Loss for the year is attributable to:			
Non-controlling interest		(2,597)	(6,199)
Owners of Lakes Blue Energy NL		(14,242,307)	(4,199,281)
Total comprehensive loss for the year		(14,244,904)	(4,205,480)
		Cents	Cents
Basic loss per share attributed to owners of Lakes Blue Energy NL	18	(0.0363)	(0.0124)
Diluted loss per share attributed to owners of Lakes Blue Energy NL	18	(0.0363)	(0.0124)

The accompanying notes form part of these financial statements.

Lakes Blue Energy NL
Consolidated statement of financial position
For the year ended 30 June 2022

	Note	2022 \$	2021 \$
Assets			
Current assets			
Cash and cash equivalents	7	2,308,111	469,635
Other receivables	8	123,370	168,303
Other financial assets	9	590,575	504,840
Prepayments		16,556	10,173
Total current assets		3,038,612	1,152,951
Non-current assets			
Other receivables		12,000	12,000
Property plant and equipment	10	684,275	688,036
Exploration and evaluation	11	13,235,080	22,779,551
Total non-current assets		13,931,355	23,479,587
Total assets		16,969,967	24,632,538
Liabilities			
Current liabilities			
Trade and other payables	12	1,110,052	1,109,525
Provisions	13	161,576	137,832
Convertible notes	15	8,178,391	-
Other current liabilities	14	-	378,463
Total current liabilities		9,450,019	1,625,820
Non-current liabilities			
Other payables	12	508,326	841,431
Provisions	13	550,000	550,000
Convertible notes	15	-	8,555,499
Total non-current liabilities		1,058,326	9,946,930
Total liabilities		10,508,345	11,572,750
Net assets		6,461,622	13,059,788
Equity			
Share capital	16	141,761,435	133,763,856
Reserves	17	804,409	1,155,250
Accumulated losses		(136,185,792)	(121,943,485)
Equity attributable to the owners of Lakes Blue Energy NL		6,380,052	12,975,621
Non-controlling interest		81,570	84,167
Total equity		6,461,622	13,059,788

The accompanying notes form part of these financial statements.

Lakes Blue Energy NL
Consolidated statement of changes in equity
For the year ended 30 June 2022

30 June 2021	Contributed equity \$	Convertible notes reserve \$	Shares based payment reserve \$	Accumulated losses \$	Non-controlling interest \$	Total \$
Balance as at 1 July 2020	133,641,199	380,936	98,266	(117,842,470)	90,366	16,368,297
Loss after income tax for the year	-	-	-	(4,199,281)	(6,199)	(4,205,480)
Other comprehensive income for the period, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(4,199,281)	(6,199)	(4,205,480)
<i>Transactions with owners in their capacity as owners:</i>						
Issue of shares	122,657	-	-	-	-	122,657
Options lapsed	-	-	(98,266)	98,266	-	-
Convertible notes issued	-	774,314	-	-	-	774,314
Balance as at 30 June 2021	133,763,856	1,155,250	-	(121,943,485)	84,167	13,059,788
30 June 2022	Contributed equity \$	Convertible notes reserve \$	Shares based payment reserve \$	Accumulated losses \$	Non-controlling interest \$	Total \$
Balance as at 1 July 2021	133,763,856	1,155,250	-	(121,943,485)	84,167	13,059,788
Loss after income tax for the year	-	-	-	(14,242,307)	(2,597)	(14,244,904)
Other comprehensive income for the period, net of tax	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(14,242,307)	(2,597)	(14,244,904)
<i>Transactions with owners in their capacity as owners:</i>						
Capital placement	5,588,810	-	-	-	-	5,588,810
Capital raising costs	(295,546)	-	-	-	-	(295,546)
Shares issued in lieu of payments to Directors	254,018	-	-	-	-	254,018
Shares issued on conversion of convertible notes	2,450,297	(226,312)	-	-	-	2,223,985
Reversal of equity on matured notes	-	(267,719)	-	-	-	(267,719)
Convertible notes issued	-	143,190	-	-	-	143,190
Balance as at 30 June 2022	141,761,435	804,409	-	(136,185,792)	81,570	6,461,622

Lakes Blue Energy NL
Consolidated statement of financial position
For the year ended 30 June 2022

The accompanying notes form part of these financial statements.

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Lakes Blue Energy NL
Consolidated statement of cash flows
For the year ended 30 June 2022

	NOTE	2022 \$	2021 \$
Cash flows from operating activities			
Cash receipts from other income		29,619	-
Payments for suppliers and employees		(1,465,698)	(1,997,870)
Interest received		17,432	475
Interest paid		-	(75,943)
Net cash used in operating activities		(1,418,647)	(2,073,338)
Cash flows from investing activities			
Payments for exploration and evaluation assets		(1,997,941)	(1,267,377)
Net cash used in investing activities		(1,997,941)	(1,267,377)
Cash flows from financing activities			
Proceeds from issue of shares		5,550,610	-
Capital raising costs		(295,546)	-
Proceeds from issue of convertible debt		-	2,801,096
Advances received for convertible notes		-	378,463
Net cash from financing activities		5,255,064	3,179,559
Net increase/(decrease) in cash and cash equivalents		1,838,476	(161,156)
Cash and cash equivalents at the beginning of the financial year		469,635	630,791
Cash and cash equivalents at the end of the financial year	7	2,308,111	469,635

The accompanying notes form part of these financial statements.

Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2022

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes the consolidated general-purpose financial statements and notes of Lakes Blue Energy NL ('Lakes Blue Energy') and controlled entities ('Consolidated Entity' or 'Group').

The principal activities of the Group is to continue activities of exploration for oil and gas within Australia and Papua New Guinea.

Lakes Blue Energy NL is a public and for-profit company, listed on the Australian Securities Exchange, limited by shares, incorporated and domiciled in Australia.

The financial report of the Group complies with Australian Accounting Standards and International Financial Reporting Standards ("IFRS").

The annual report has been authorised by the Board for issue on 30 September 2022.

Basis of preparation

The accounting policies set out below have been consistently applied to all years presented.

Statement of compliance

The financial report is a general-purpose financial report that has been prepared in accordance with Australian Accounting Standards "AASBs" (including Australian Interpretations) issued by the Australian Accounting Standard Board ("AASB") and the *Corporations Act 2001*, as appropriate for-profit oriented entities.

Basis of measurement

The financial report has been prepared on an accruals basis and is based on historical costs.

The accounting policies set out below have been consistently applied to all years presented.

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern

The Directors have prepared the financial report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity incurred an operating loss after income tax expense for the year ended 30 June 2022 of \$14,244,904 (2021: \$4,205,480) and at reporting date has net assets of \$6,461,622 (2021: \$13,059,788) including \$13,235,080 (2021: \$22,779,551) of capitalised exploration, evaluation and development costs. At reporting date the Company's current liabilities exceeded current assets by \$6,411,407 (2021: \$472,869).

These factors indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

During the year-ended 30 June 2022, the Company has raised \$5,588,810 before capital raising costs, and has raised a further \$1,000,000 since 30 June 2022. Cash reserves as at 30 June 2022 were \$2,308,111 (2021: 469,635).

Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2022

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The directors have been in discussions with convertible note holders to reduce the cash impost on the company from the convertibles notes of \$8,178,391 under current liabilities. The company is currently exploring the following options:

- Full or partial conversion of the convertible notes on issue;
- Capital or debt raising to pay down the convertible note liability;
- Extension of maturity date until the Company is in a position to redeem the convertible notes.

The consolidated entity has prepared a detailed cash flow forecast which includes the assumption that the majority of convertible note holders will convert their notes prior to their expiry in March 2023.

The Directors have concluded that the going concern basis is appropriate, based on analysis of the consolidated entity's existing cash reserves and internal cash flow forecasts which include their current estimate of future financial commitments and other cash flows over the next 12 months.

This financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. In the event these steps do not provide sufficient funds to meet the consolidated entity's exploration and operating commitments, the interest in some or all of the consolidated entity's tenements may be affected. No adjustments have been made relating to the recoverability and reclassification of recorded asset amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern, particularly the write-down of capitalised exploration expenditure should the exploration permits be ultimately surrendered or cancelled.

Having carefully assessed the potential uncertainties relating to the consolidated entity's ability to effectively fund exploration activities and operating expenditures, the Directors believe that the consolidated entity will continue to operate as a going concern for the foreseeable future. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations has not had a significant impact on the financial performance or position of the consolidated entity during the year ended 30 June 2022. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been adopted early.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 25.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Lakes Blue Energy NL ('Company' or 'parent entity') as at 30 June 2022 and the results of all subsidiaries for the year then ended. Lakes Blue Energy NL and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of

changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Lakes Blue Energy NL's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Interest income

Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at amortised cost

A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Impairment of financial assets

The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Financial liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities. Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation. Financial liabilities are classified as current liabilities unless the consolidated entity has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses, assets and liabilities (exclude receivables and payables) are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2022. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

NOTE 2: SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. Deferred tax assets arising from tax losses are not recognised at balance date as realisation of the benefit is not probable.

Employee benefits provision

As discussed in Note 13 the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

NOTE 2: SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Provision for restoration costs

A provision has been made for the present value of anticipated costs for future rehabilitation of land explored or mined. The consolidated entity's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The consolidated entity recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

Exploration costs

Exploration costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2022

NOTE 3: OPERATING SEGMENTS

Identification of reportable operating segments

The Consolidated Entity operates in one industry being exploration for oil and gas reserves, principally in Australian on-shore (Victoria, South Australia and Queensland), Papua New Guinea (PNG) and the United States of America (USA). Currently the consolidated entity does not generate any revenues from contracts with customers and only incurred expenses on operations and exploration activities. Therefore, the Consolidated Entity does not prepare operating segment reports, rather operational results are reviewed collectively for the group.

NOTE 4: OTHER INCOME

	2022	Consolidated 2021
	\$	\$
Government grants	-	76,392
Cash calls issued to joint venture partners	-	109,698
Refunds received	29,619	-
Total revenue and other income	29,619	186,090

Government grant income is recognised in the statement of profit or loss and other comprehensive income on a systematic basis over the periods in which the consolidated entity recognises as expenses the related costs for which the grants are intended to compensate.

NOTE 5: EXPENSES

	2022	Consolidated 2021
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation expense</i>		
Property, plant and equipment	3,990	5,145
<i>Impairment expense</i>		
Impairment of exploration and evaluation assets (see note 11)	11,529,794	1,431,304
<i>Exploration expense</i>		
Expenses incurred in relation to exploration assets that are fully impaired	77,210	172,241
<i>Administrative expenses</i>		
Travel and accommodation	22,419	18,496
Share registry costs and listing fees	151,540	134,852
Legal fees	46,092	261,823
Directors fees	100,000	122,407
Insurance premiums	61,461	84,151
Office and other administrative expenses	20,476	53,872
Copier, postage and courier costs	754	2,275
Consultancy, accountancy and secretarial fees	35,597	117,020
Less portion attributed to exploration permits capitalised	(60,310)	(204,740)
Total administrative	378,029	590,156

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Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2022

NOTE 6: INCOME TAX EXPENSE

	2022	Consolidated 2021
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss from continuing operations before income tax expense	(14,219,904)	(4,205,480)
Tax at the statutory rate of 25% (2021: 26%)	(3,554,976)	(1,093,425)
Add tax effect of:		
- Other assessable items	-	-
- Other non-allowable items	2,883,446	372,139
Less tax effect of:		
- Other non-assessable items	-	-
- Other deductible items	-	(312,372)
Amounts not brought to account as a deferred tax asset in the current year	(90,132)	(178,836)
Benefits of tax losses not brought to account	(761,662)	1,212,494
Total income tax expense	-	-

The Group has not recognised carried forward tax losses from prior years in the statement of financial position. Tax losses carried forward from prior years can only be utilised in the future if the continuity of ownership test is passed or, failing that, the same business test is passed.

The taxation benefits of tax losses and temporary differences will only be recognised if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the consolidated entity continues to comply with the conditions for deductibility imposed by law; and
- (iii) no change in tax legislation adversely affects the consolidated entity in realising the benefits from deducting the losses.

Lakes Blue Energy NL (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity is responsible for recognising the current and deferred tax assets arising in respect of tax losses for the tax consolidated group. The tax consolidated group has also entered a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or

Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2022

NOTE 6: INCOME TAX EXPENSE (CONTINUED)

- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

NOTE 7: CASH AND CASH EQUIVALENTS

	2022	Consolidated 2021
	\$	\$
Cash at bank	2,237,611	399,135
Cash on deposit	70,500	70,500
Cash and cash equivalents balance	2,308,111	469,635

NOTE 8: TRADE AND OTHER RECEIVABLES

	2022	Consolidated 2021
	\$	\$
Current		
Other receivables	48,699	75,927
Rental deposit	3,262	3,262
GST receivable	71,409	89,114
	123,370	168,303
Non-current		
Security deposit	12,000	12,000
	12,000	12,000
Trade and other receivables balance	135,370	180,303

Trade debtors are non-interest bearing and generally on 30 day terms.

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Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2022

NOTE 8: TRADE AND OTHER RECEIVABLES (CONTINUED)

Accounting policy for trade and other receivables

Trade and other receivables are measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Impairment

Allowances for impairment are recognised using an 'expected credit loss' ('ECL') model.

NOTE 9: OTHER FINANCIAL ASSETS

	2022	Consolidated 2021
	\$	\$
Short term deposits	590,575	504,840
Other financial assets balance	590,575	504,840

Short term deposits are investments in bank term deposits with an initial maturity of more than three months but not more than twelve months. Interest on term deposits are accrued using the effective interest method. The funds are restricted for use as bank guarantees over Rawson tenements.

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	2022	Consolidated 2021
	\$	\$
Land - at cost	1,177,877	1,177,877
Less: Accumulated depreciation	-	-
Less: Accumulated Impairments	(512,130)	(512,130)
Land balance	665,747	665,747
Plant and equipment - at cost	456,625	456,625
Less: Accumulated depreciation	(438,097)	(434,336)
Plant and equipment balance	18,528	22,289
Property, plant and equipment balance	684,275	688,036

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Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2022

NOTE 10: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Land \$	Plant and equipment \$	Total \$
Balance at 30 June 2020	665,747	27,724	693,471
Disposals	-	(290)	(290)
Depreciation expense	-	(5,145)	(5,145)
Balance at 30 June 2021	665,747	22,289	688,036
Additions	-	229	229
Depreciation expense	-	(3,990)	(3,990)
Balance at 30 June 2022	665,747	18,528	684,275

Accounting policy for property, plant and equipment

Land and buildings are carried at cost, less depreciation and impairment for buildings. Impairments and depreciation identified during the period are recognised in the statement of profit and loss and other comprehensive income.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Land is not depreciated. Depreciation on plant and equipment is calculated on a diminishing value basis to write off the net cost of each item over their expected useful lives. Depreciation on leasehold improvements is calculated on a straight line basis to write off the net cost of the items over the relevant lease term. The expected useful lives are as follows:

Motor vehicles	5 years
Technical equipment	3-10 years
Computer equipment	3 years
Plant and equipment	7 years
Office Equipment	8 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

NOTE 11: EXPLORATION AND EVALUATION

	2022 \$	Consolidated 2021 \$
Exploration and evaluation	78,152,689	76,167,366
Less: Provision for impairment	(64,917,609)	(53,387,815)
Exploration and evaluation balance	13,235,080	22,779,551

Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2022

NOTE 11: EXPLORATION AND EVALUATION (CONTINUED)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Consolidated
	\$
Balance at 30 June 2020	23,009,426
Expenditure during the year	1,201,429
Impairment of assets	(1,431,304)
Balance at 30 June 2021	22,779,551
Expenditure during the year	1,985,323
Impairment of assets*	(11,529,794)
Balance at 30 June 2022	13,235,080

- * During the year the Group incurred expenditure of \$1,588,220 on the drilling of the Wellesley-2 well. The well was drilled to a total depth of 1,650 metres but failed to discover gas and subsequently plugged and abandoned. Although the well provided valuable data to assist with formulation of future exploration plans, management have impaired both the original investment in the asset as well as the carrying value of the exploration and evaluation costs incurred.

Significant judgment is required in determining whether it is likely that future economic benefits will be derived from the capitalised exploration and evaluation expenditure.

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective permit areas.

Accounting policy for exploration and evaluation assets

Costs arising from exploration activities are carried forward provided such costs are expected to be recouped through successful development or sale, or exploration activities have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. AASB 6 Exploration for and Evaluation of Mineral Resources requires that the company perform impairment tests on those assets when facts and circumstances suggest that the carrying amount may be impaired.

Exploration expenses are recognised net of exploration costs written off and rebate and grant income and joint operation contributions received. Rebate and grant income and joint operation contributions received in excess of net exploration costs are recognised as income. Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

Where a farminee (a farminee is a joint operation partner which earns an interest in a tenement by funding the costs of appraisal, development or exploration) contributes towards exploration expenditure, the exploration expenditure is deferred and then the deferred exploration expenditure is reduced by the value of the reimbursements received from the farminee.

Restoration costs

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. Accordingly, these costs are recognised gradually over the life of the facility as these phases occur. The costs include obligations relating to reclamation, waste site closure, platform removal and other costs associated with the restoration of the site. These estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs that have been discounted to their present value. Any changes in the estimates are adjusted on a retrospective basis. In determining

Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2022

the restoration obligations, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to restoration of such wells in the future.

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Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2022

NOTE 12: TRADE AND OTHER PAYABLES

	2022	Consolidated
	\$	2021
		\$
Current		
Trade and accrued payables	852,236	774,441
Payable to Innovation Science Australia*	240,000	300,000
Other payables	17,816	35,084
	1,110,052	1,109,525
Non-current		
Payable to Innovation Science Australia*	508,326	841,431
	508,326	841,431
Trade and other payables balance	1,618,378	1,950,956

* The amount noted above relates to a payable to Innovation Science Australia in relation to a prior research and development claim which has subsequently been rejected. The consolidated entity is rigorously defending its position and is currently appealing the rejection. The Company has entered into a payment arrangement with the ATO of \$20,000 per month. The current balance of \$240,000 reflects instalments payable up until 30 June 2023. The non-current balance of \$508,326 reflects all payments due after 30 June 2023.

Accounting policy for trade payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at their nominal amount. The amounts are unsecured and are usually paid within 30 to 90 days of recognition.

NOTE 13: PROVISIONS

	2022	Consolidated
	\$	2021
		\$
Current		
Annual leave	75,969	57,119
Long service leave	85,607	80,713
	161,576	137,832
Non-current		
Restoration costs	300,000	300,000
Provision for royalties *	250,000	250,000
	550,000	550,000
Provisions balance	711,576	687,832

* The provision for royalties represents the fair value of a royalty payable that was determined when Rawson Oil and Gas Limited acquired its interest in Otway Energy Limited. The royalty is payable when production of oil and gas occurs from PEL154 and PEL155.

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Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2022

NOTE 14: OTHER CURRENT LIABILITIES

	Consolidated
	2022
	2021
	\$
	\$
Funds received for convertible notes	-
Other current liabilities balance	378,463
	-
	378,463

NOTE 15: CONVERTIBLE NOTES

	Consolidated
	2022
	2021
	\$
	\$
Convertible notes	7,492,605
Interest payable on convertible notes	5,584,681
	685,786
Convertible note balance	8,178,391
	8,555,499

	Consolidated
	\$
Balance at beginning of the year	8,555,499
Cash received	378,463
Interest accrued	1,319,954
Converted to ordinary shares	(2,450,297)
Settlement of liabilities	517,962
Taken to equity	(143,190)
Balance at end of the year	8,178,391

During the year ended 30 June 2022, the consolidated entity issued 1,993,808,162 convertible notes in two tranches to sophisticated investors.

The primary terms of the convertible notes are:

Issuer: Lakes Blue Energy NL

Face value: \$0.0009 per note

Interest: 15% pa - payable half yearly in arrears

Maturity date: 31 March 2023

Conversion at holder election: each note is convertible at any time at the holder's election into one ordinary share of the Issuer.

Valuation methodology

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

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Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2022

NOTE 15: CONVERTIBLE NOTES (CONTINUED)

The Convertible Notes were fair valued by an independent valuer using following key assumptions:

Tranches	Valuation date	Conversion price \$	Discount rate %	Coupon rate %	Interest payment frequency	Maturity date
Tranche 1	12/12/2019	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023
Tranche 2	27/12/2019	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023
Tranche 3	02/03/2020	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023
Tranche 4	18/03/2020	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023
Tranche 5	18/03/2020	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023
Tranche 6A	13/07/2020	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023
Tranche 6B	14/10/2020	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023
Tranche 7	22/12/2020	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023
Tranche 8	18/02/2021	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023
Tranche 9	14/04/2021	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023
Tranche 10	21/05/2021	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023
Tranche 11	23/07/2021	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023
Tranche 12	01/04/2022	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023

NOTE 16: SHARE CAPITAL

Movements in ordinary share capital

Details	Date	Shares	Issue Price	\$
Balance	1 July 2020	33,668,753,141		133,641,199
Shares issued to Directors in lieu of fees	14 October 2020	8,333,340	\$0.001	8,334
Shares issued to Directors in lieu of fees	14 April 2021	114,322,479	\$0.001	114,323
Collateral shares issued*	21 May 2021	1,730,000,000	-	-
Balance		35,521,408,960		133,641,199
Capital placement	2 February 2022	6,861,012,981	\$0.0008	5,488,810
Shares issued on conversion of convertible notes	8 February 2022	720,668,200	\$0.0009	648,601
Shares issued on conversion of convertible notes	15 February 2022	167,086,155	\$0.0009	150,378
Shares issued on conversion of convertible notes	22 February 2022	1,197,655,591	\$0.0009	1,077,890
Shares issued on conversion of convertible notes	1 March 2022	129,996,749	\$0.0009	116,997
Shares issued to Directors in lieu of fees	1 April 2022	317,523,085	\$0.0008	254,018
Capital placement	1 April 2022	68,750,000	\$0.0008	55,000
Capital placement	1 April 2022	56,250,000	\$0.0008	45,000
Shares issued on conversion of convertible notes	14 June 2022	155,687,281	\$0.0009	140,119
Shares issued on conversion of convertible notes	20 June 2022	100,000,000	\$0.0009	90,000
Equity component of convertible notes converted transferred from the convertible notes reserve		-	-	226,312
Capital raising costs		-	-	(295,546)
		45,296,039,002		141,761,435

* On 21 May 2021 the Company issued 1,700,000,000 collateral shares at nil issue price, and 30,000,000 shares in lieu of a transaction fee to Acuity Capital Investment Management Pty Ltd as trustee for the Acuity Capital Holdings Trust in relation to a Controlled Placement Agreement as announced on 31 October 2019.

Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2022

NOTE 16: SHARE CAPITAL (CONTINUED)

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limit on authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

NOTE 17: RESERVES

	2022	Consolidated 2021
	\$	\$
Share-based payments reserve		
Opening balance	-	98,266
Share-based payments on loan funded shares	-	-
Transfer to accumulated losses	-	(98,266)
Closing balance	-	-
Convertible notes reserve		
Opening balance	1,155,250	380,936
Convertible notes issued	143,190	774,314
Reversal of equity on matured notes	(267,719)	-
Shares issued on conversion of convertible notes	(226,312)	-
Closing balance	804,409	1,155,250
Reserves balance	804,409	1,155,250

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Convertible notes reserve

This reserve is used to recognise the equity of the convertible notes on issue, which is calculated as the fair value of the derivative at the date issue.

NOTE 18: EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit or loss attributable to the owners of the Group excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to the dilutive potential ordinary shares.

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Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2022

NOTE 18: EARNINGS PER SHARE (CONTINUED)

	2022 \$	Consolidated 2021 \$
Loss for the year is attributable to:		
Non-controlling interest	(2,597)	(6,199)
Owners of Lakes Blue Energy NL	(14,242,307)	(4,199,281)
Basic loss per share (cents per share) attributed to owners of Lakes Blue Energy NL	(0.0363)	(0.0124)
Diluted loss per share (cents per share) attributed to owners of Lakes Blue Energy NL	(0.0363)	(0.0124)
Weighted average number of shares used for the purposes of calculating basic and diluted earnings per share:		
- Basic earnings per share	39,217,507,771	33,893,448,543
- Diluted earnings per share	39,217,507,771	33,893,448,543

NOTE 19: FINANCIAL INSTRUMENTS

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk.

The board of directors has overall responsibility for identifying and managing operational and financial risks. The consolidated entity does not have any derivative instruments at the reporting date.

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The consolidated entity is not currently exposed to any material fluctuations in foreign currencies.

Market or Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk).

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

Cash deposits attract interest at the prevailing floating interest rate. The interest rate risk on cash and cash equivalents does not have a material effect on the consolidated entity.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the consolidated statement of financial position and notes to the financial statements.

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NOTE 19: FINANCIAL INSTRUMENTS (CONTINUED)

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

The consolidated entity does not have any material credit risk exposure to cash on hand or any single receivable or group of receivables under financial instruments entered into by the consolidated entity. This risk is managed by ensuring the consolidated entity only trades with parties that are able to trade on the consolidated entity's credit terms. Additionally cash at bank is held with a major Australian bank.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. The consolidated entity continues monitor its cash reserves in relation to its contractual liabilities to determine that they have sufficient working capital to continue as a going concern. Refer to Note 1 for going concern plans and uncertainties.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2022

NOTE 19: FINANCIAL INSTRUMENTS (CONTINUED)

	Weighted average interest rate	Up to 12 months	Between 1 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated – 2022					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade and other payables		1,110,052	508,326	-	1,618,378
<i>Interest-bearing – fixed rate</i>					
Convertible notes payable	15.00%	8,178,391	-	-	8,178,391
Total non-derivatives		9,288,443	508,326	-	9,796,769
Consolidated - 2021					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade and other payables	-	1,109,525	841,431	-	1,950,956
<i>Interest-bearing – fixed rate</i>					
Convertible notes payable	15.00%	-	8,555,499	-	8,555,499
Total non-derivatives		1,109,525	9,396,930	-	10,506,455

Fair value of financial instruments

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the consolidated entity are as follows:

	2022		2021	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents	2,308,111	2,308,111	469,635	469,635
Trade and other receivables	123,370	123,370	168,303	168,303
Other financial assets	590,575	590,575	504,840	504,840
	3,022,056	3,022,056	1,142,778	1,142,778
Liabilities				
Trade and other payables	1,110,052	1,110,052	1,950,956	1,950,956
Convertible notes	8,178,391	8,178,391	8,555,499	8,555,499
	9,288,443	9,288,443	10,506,455	10,506,455

Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2022

NOTE 20: KEY MANAGEMENT PERSONNEL DISCLOSURES

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	2022	Consolidated 2021
	\$	\$
Short-term employee benefits	431,211	215,195
Post-employment benefits	21,969	20,871
Long-term benefits	4,894	282
Share-based payments	138,199	318,013
Total remuneration	596,273	554,361

Director transactions

All amounts paid to Directors and director-related entities were charged on commercial and arm's-length terms and conditions.

Mr Nicholas Mather and Mr Roland Sleeman are Directors of Armour Energy Ltd. Armour Energy Ltd is party to an agreement with Lakes Blue Energy NL as described in the tenement table detailed in the shareholder information section.

Mr Nicholas Mather's remuneration is settled via an entity that is controlled by Mr Mathers called Samuel Capital Pty Ltd.

Mr Roland Sleeman's remuneration is also settled via an entity controlled by Mr Sleeman ATF The Sleeman Trust.

NOTE 21: AUDITOR REMUNERATION

During the financial year the following fees were paid or payable for services provided by William Buck, the auditor of the Company:

	2022	Consolidated 2021
	\$	\$
William Buck	61,000	36,000
Total remuneration	61,000	36,000

NOTE 22: CONTINGENT LIABILITIES

The consolidated entity did not have any contingent liabilities as at 30 June 2022.

NOTE 23: COMMITMENTS

	2022	Consolidated 2021
	\$	\$
<i>Bank guarantees in relation to rental premises and exploration permits</i>		
Maximum amount bank may call	661,075	575,340
Total commitments	661,075	575,340

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Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2022

NOTE 23: COMMITMENTS (CONTINUED)

Exploration commitments

The consolidated entity retains interests in exploration tenements via direct ownership and participation in joint operations. To continue these interests a work program is maintained in each tenement for various periods up to six years. Each work program has minimum expenditure and exploration activity requirements which must be satisfied to retain the permit.

The current financial commitment as at 30 June 2022 on the work programs across all tenements for the next 24 months is \$245,000 (2021: \$245,000).

\$245,000 of the current financial commitment relates to the annual fees in relation to the entity's Victorian, Queensland, South Australian and Papua New Guinea tenements. The moratorium on exploration in Victoria was lifted on 30th June 2021 and Lakes is currently awaiting clearance in relation to the submitted applications to recommence work across its Victorian acreage.

The final cost to the consolidated entity is uncertain as it will be dependent on the extent of the works actually undertaken, the negotiated costs and whether or not the consolidated entity is able to secure contributions from other parties such as a farminee (A farminee is a joint operation partner who earns an interest in a tenement by funding the costs of appraisal, development or exploration).

NOTE 24: RELATED PARTY TRANSACTIONS

Director-related entity

Disclosures relating to key management personnel are set out in note 20 and the remuneration report included in the directors' report.

Director transactions

All amounts paid to Directors and director-related entities were charged on commercial and arm's-length terms and conditions.

Directors of Lakes Blue Energy NL Nicholas Mather and Roland Sleeman are Directors of Armour Energy Ltd. Armour Energy Ltd is party to an agreement with Lakes Blue Energy NL as described in the tenement table detailed in the shareholder information section.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	2022	Consolidated 2021
	\$	\$
Current		
Trade payables to key management personnel	53,960	110,586
	53,960	110,586

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2022

NOTE 25: PARENT ENTITY INFORMATION

	2022	Consolidated 2021
	\$	\$
Financial position		
Assets		
Current assets	5,596,049	3,871,996
Non-current assets	6,340,839	14,079,352
Total assets	11,936,888	17,951,348
Liabilities		
Current liabilities	9,134,264	1,550,459
Non-current liabilities	508,326	9,396,930
Total liabilities	9,642,590	10,947,389
Net assets/(net deficiency)	2,294,298	7,003,959
Equity		
Issued capital	141,481,628	133,246,516
Reserves	804,407	1,155,250
Accumulated losses	(139,991,737)	(127,397,807)
Total equity	2,294,298	7,003,959
Financial performance		
Profit/(loss) for the year	(12,356,400)	(2,321,095)
Other comprehensive loss	-	-
Total comprehensive profit/(loss)	(12,356,400)	(2,321,095)

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2021 and 30 June 2022.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2022.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2022.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2022

NOTE 26: INTERESTS IN SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities, and results of the following subsidiaries in accordance with the accounting policy described in Note 1:

Name	Principal place of business/ Country of incorporation	Ownership interest	
		2022 %	2021 %
Commonwealth Mining Pty Ltd	Australia	100.00%	100.00%
EOIL Pty Ltd	Australia	100.00%	100.00%
Gippsland Petroleum Pty Ltd	Australia	100.00%	100.00%
Mirboo Ridge Pty Ltd	Australia	100.00%	100.00%
Otway Resources Pty Ltd	Australia	100.00%	100.00%
Owens Lane Pty Ltd	Australia	100.00%	100.00%
Petro Tech Pty Ltd	Australia	100.00%	100.00%
Geothermal Energy Victoria Pty Ltd	Australia	100.00%	100.00%
Portland Energy Project Pty Ltd	Australia	100.00%	100.00%
The Gippsland Gas Corporation Pty Ltd	Australia	100.00%	100.00%
Three Corners Oil & Gas Pty Ltd	Australia	100.00%	100.00%
Lakes Oil Inc.	USA	100.00%	100.00%
NavGas Pty Ltd	Australia	100.00%	100.00%
Mingoola Gold Pty Ltd	Australia	100.00%	100.00%
Rawson Oil and Gas Limited	Australia	93.51%	93.51%
Dondonald Limited (through its interest in Rawson Oil and Gas Limited)	Papua New Guinea	93.51%	93.51%
Rawson Uranium Pty Ltd	Australia	93.51%	93.51%
Rawson Taranaki Limited	New Zealand	93.51%	93.51%
Otway Energy Limited	Australia	93.51%	93.51%
LKO Royalty Trust	Australia	100%	-

NOTE 27: EVENTS AFTER THE REPORTING PERIOD

Since the end of the reporting period:

- a) On 8 July 2022, 8,560,506 convertible notes were converted into ordinary shares;
- b) The Company raised a further \$1,000,000 on the same terms (\$0.0008 per share) as applied to the January 2022 raising. 550,000,000 new shares were issued on 14 July 2022 followed by 700,000,000 new shares issued on 25 July 2022;
- c) On 26 July 2022, the Company announced a significant new exploration prospect, Enterprise North, identified within PEP 169 in Victoria. PEP 169 is 49% owned by the Company and has historically been operating by the Company on behalf of Armour Energy, which holds 51% of the permit;
- d) The Company issued a further 650,666,076 convertible notes on 1 August 2022, in lieu of payment of interest of the half year period to 30 June 2022; and
- e) On 19 September 2022, the Company announced that a rock and fluid sampling program was underway Papua New Guinea around PPL 560.

Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2022

NOTE 28: CASH FLOW INFORMATION

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	2022	Consolidated
	\$	2021
	\$	\$
Loss after income tax expense for the year	(14,219,904)	(4,205,480)
Add/(deduct): non-cash items:		
Depreciation and amortisation	3,990	5,145
Impairment expenses	11,529,794	1,431,304
Non-cash financing expenses	1,304,918	1,363,079
Other non-cash expenditure	238,549	460,742
Change in operating assets and liabilities:		
(Increase)/Decrease in receivables	44,933	(47,083)
(Increase) in other current assets	(6,383)	(10,023)
(Decrease) in trade and other payables	(332,578)	(1,086,315)
Increase in employee benefits	23,744	15,293
Net cash used in operating activities	<u>(1,412,937)</u>	<u>(2,073,338)</u>

NOTE 29: DIVIDENDS

The Board of Directors has recommended that no dividend be paid.

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Lakes Blue Energy NL
Directors' Declaration
For the year ended 30 June 2022

1. In the opinion of the Board of Directors of Lakes Blue Energy Limited:
 - a. the consolidated financial statements and notes of Lakes Blue Energy Limited are in accordance with the *Corporations Act 2001*, including:
 - i. Giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
 - ii. Complying with the Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b. There are reasonable grounds to believe that Lakes Blue Energy NL Limited will be able to pay its debts as and when they become payable.
2. The Directors have been given the declaration required by Section 295A of the *Corporations Act 2001*
3. Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the Board of Directors:



Richard Ash
Chairman

Date: 30 September 2022

Lakes Blue Energy NL Independent auditor's report to members

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report Lakes Blue Energy NL, (the Company and its controlled entities (the Group)), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report, which indicates that the Group incurred a net loss of \$14,244,904 during the year ended 30 June 2022 and, as of that date, the Group's current liabilities exceeded its current assets by \$6,411,407. As stated in Note 1, these events or conditions, along with other matters as set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

CARRYING VALUE OF EXPLORATION AND EVALUATION ASSETS	
Area of focus Refer also to notes 1, 2 and 11	How our audit addressed it
<p>The Group has incurred exploration costs for their oil and gas projects in Australia, over several years. There is a risk that the accounting criteria associated with the capitalisation of exploration and evaluation expenditure may no longer be appropriate.</p> <p>An impairment review is only required if an impairment trigger is identified.</p> <p>Due to the nature of the oil and gas industry, indicators of impairment could include:</p> <ul style="list-style-type: none"> – Changes to exploration plans; – Loss of rights to tenements; – Changes to reserve estimates; – Costs of extraction and production; or – Exchange rate factors. <p>The accounting for this matter is complex and as such we have determined it a Key Audit Matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> – A review of the directors' assessment of the criteria for the capitalisation of exploration expenditure and evaluation of impairment charges recorded during the year; – Understanding and vouching the underlying contractual entitlement to explore and evaluate each area of interest, including an evaluation of the requirement to renew that tenement at its expiry and assessment of areas of interest, which were impaired during the year; – Examining project spend per each area of interest and comparing this spend to the minimum expenditure requirements set out in the underlying tenement expenditure plan; and – Examining project spend to each area of interest to ensure that it is directly attributable to that area of interest. <p>We also assessed the adequacy of the Group's disclosures in respect of exploration costs in the financial report.</p>

ACCOUNTING FOR CONVERTIBLE NOTES

Area of focus Refer to Notes 1 and 15	How our audit addressed it
<p>The Group issued convertible notes to various parties during the current financial year.</p> <p>Accounting for these transactions is complex, as the Group's accounting policy requires the separation at initial recognition, of an equity component due to the fact that the note demonstrates characteristics similar to equity in that the notes are converted at a fixed conversion price.</p> <p>The accurate recording of the transactions associated with the convertible notes is dependent on the following:</p> <ul style="list-style-type: none"> – The share price as at the date of the issue of the convertible notes; and – Inputs associated with the features of the notes (interest rate, maturity, security). <p>The accounting for this matter is complex and as such we have determined it a Key Audit Matter.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> – Understanding the terms of the convertible note agreement, including an assessment of classification between current and non-current for the underlying host contract and a determination of the value of the equity component of the notes; – Performed a cross check against our own findings and fair value with the independent valuation commissioned by management; and – Verifying that the values attributed to the transactions were in line with the terms of the convertible note agreements. <p>We also assessed the adequacy of the Group's disclosures in the financial report.</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2022 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

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going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our independent auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Lakes Blue Energy NL, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

William Buck

William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136

Alan Finnis

A. A. Finnis
Director

Melbourne, 30 September 2022

Lakes Blue Energy NL
Additional information for listed public companies
For the year ended 30 June 2022

Additional information as at 20 September 2022 required by the Australian Securities Exchange and not disclosed elsewhere in this report.

Home Exchange

The Company is listed on the Australian Securities Exchange. The Home Exchange is Sydney.

Ordinary shares

As at 20 September 2022, the issued capital comprised of 46,554,599,508 fully paid ordinary shares (ASX code: LKO) held by 13,148 holders.

Unmarketable Parcels

There were 890,637,300 shares held in unmarketable parcels of \$500 or less based on the closing price on 20 September 2022, by 7,390 individual shareholders.

Distribution of shareholders

The distribution of each class of equity was as follows:

Range	Number of holders	Number of shares	Percentage
1 - 1,000	350	104,263	0.00
1,001 - 5,000	230	733,733	0.00
5,001 - 10,000	404	3,512,129	0.01
10,001 - 100,000	3,456	174,602,847	0.38
100,001 Over	8,708	46,375,646,536	99.62
Total	13,148	46,554,599,508	100.00

Twenty Largest Shareholders

At 20 September 2022, the twenty largest shareholders held 58.70% of the fully paid ordinary shares as follows:

Rank	Name	Consolidated Number of ordinary shares held	%
1	DARK HORSE RESOURCES LIMITED	9,883,714,010	21.23
2	TIMEVIEW ENTERPRISES PTY LTD	2,720,821,462	5.84
3	DGR GLOBAL LIMITED	2,212,203,276	4.75
4	ACUITY CAPITAL INVESTMENT MANAGEMENT PTY LTD <ACUITY CAPITAL HOLDINGS A/C>	1,730,000,000	3.72
5	MR DUNCAN JOHN HARDIE	589,295,260	1.27
6	BAM OPPORTUNITIES FUND PTY LTD	375,000,000	0.81
7	MR WILLIAM RICHARD TREUREN	359,289,500	0.77
8	SARI HOLDINGS PTY LTD	348,608,876	0.75
9	MR DUNCAN JOHN HARDIE	315,595,620	0.68
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	308,559,412	0.66
11	MR ROLAND KINGSBURY SLEEMAN	304,159,915	0.65
12	MR ALLISTER RICHARDSON	269,197,895	0.58
13	TIGER FUND PTY LTD <TIGER FUND A/C>	250,000,000	0.54
14	PACIFIC ATLANTIC COMMERCE PTY LTD <CORCILLUM SUPER FUND A/C>	242,500,000	0.52
15	MR JAMES SINTON SPENCE	227,656,080	0.49
16	CITICORP NOMINEES PTY LIMITED	221,113,608	0.47

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Lakes Blue Energy NL
Additional information for listed public companies
For the year ended 30 June 2022

17	SUPER ONLY PTY LTD <SYPAQ SYS EMPLOYEES S/F A/C>	210,000,000	0.45
18	MR DUNCAN JOHN HARDIE	208,521,000	0.45
19	STATEMOOR PTY LTD <PETERS FAMILY A/C>	200,853,433	0.43
20	SAMUEL CAPITAL PTY LTD	193,000,408	0.41
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (Total)		21,469,929,347	46.12
Total Remaining Holders Balance		25,084,670,161	53.88

Convertible Notes

As at 20 September 2022, unquoted equity securities comprised the following:

	Number on issue	Consolidated Number of holders
Convertible notes, each note convertible into one share, maturing 31 March 2023	10,033,288,782	29

Tenstar Trading Limited holds 46.76% of the outstanding Convertible Notes on issue.

Class of shares and voting rights

The voting rights attached to ordinary shares, as set out in the Company's Constitution, are that every member in person or by proxy, attorney or representative, shall have one vote on a show of hands and one vote for each share held on a poll.

On market buy back

There is no on market buy-back.

Restricted securities

As at 20 September 2022, the Company did not have any securities on issue that were subject to restriction.

Substantial shareholdings

As at 20 September, the Register of Substantial Shareholders showed the following:

Rank	Name	Number of ordinary shares held	Consolidated	
			Percentage	
1	NewPeak Metals Limited (Dark Horse Resources Limited)	10,008,714,010	21.50%	
2	Bianca Hope Rinehart as trustee of the Hope Margaret Trust (Timeview Enterprises Pty Ltd)	2,720,821,462	5.84%	

Lakes Blue Energy NL
Additional information for listed public companies
For the year ended 30 June 2022

Tenements

Location (basin name)	Joint operation or permit name	Interest owned %
PEP 163	Otway	100.00
PEP 167	Otway	100.00
PEP 169	Otway	49.00
PEP 175	Otway	100.00
PRL 2 - Overall Permit	Gippsland	100.00
PRL 2- Trifon Field	Gippsland	57.50
PRL 3	Gippsland	100.00
PEP 166	Gippsland	75.00
VIC/P43(V)	Gippsland	100.00
VIC/P44(V)	Gippsland	100.00
ATP 642P	Eromanga/Cooper E	100.00
ATP 662P	Eromanga/Cooper E	100.00
ATP 1183	Surat/Bowen	100.00
Eagle Prospect	California USA	17.97
PELA 577*	Pirie Torrens, SA	100.00
PELA 578*	Pirie Torrens, SA	100.00
PELA 579*	Pirie Torrens, SA	100.00
PELA 601*	Pirie Torrens, SA	100.00
PELA 602*	Pirie Torrens, SA	100.00
PELA 631*	Pirie Torrens, SA	100.00
EL 5694	Pirie Torrens, SA	100.00
PEL 154	Otway	-
PRL 249**	Otway	50.00
PRL 549	PNG	100.00
PPL 549	PNG	100.00
PPL 560	PNG	100.00
APPL 550*	PNG	100.00
APPL 594*	PNG	100.00
APPL 633*	PNG	100.00

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

** Renamed PRL 249 (formerly PEL 155) following a successful conversion of the permit to a retention license.