

Lakes Blue Energy NL

ABN 62 004 247 214



**Annual Report
For the Year Ended 30 June 2023**

LAKES BLUE ENERGY NL

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LAKES BLUE ENERGY NL

Corporate directory

30 June 2023

Directors

Richard Ash (Non-Executive Chairman)

Roland Sleeman (Executive Director)

Nicholas Mather (Non-Executive Director)

Chief Executive Officer

Roland Sleeman

Company Secretary

Elissa Hansen

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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

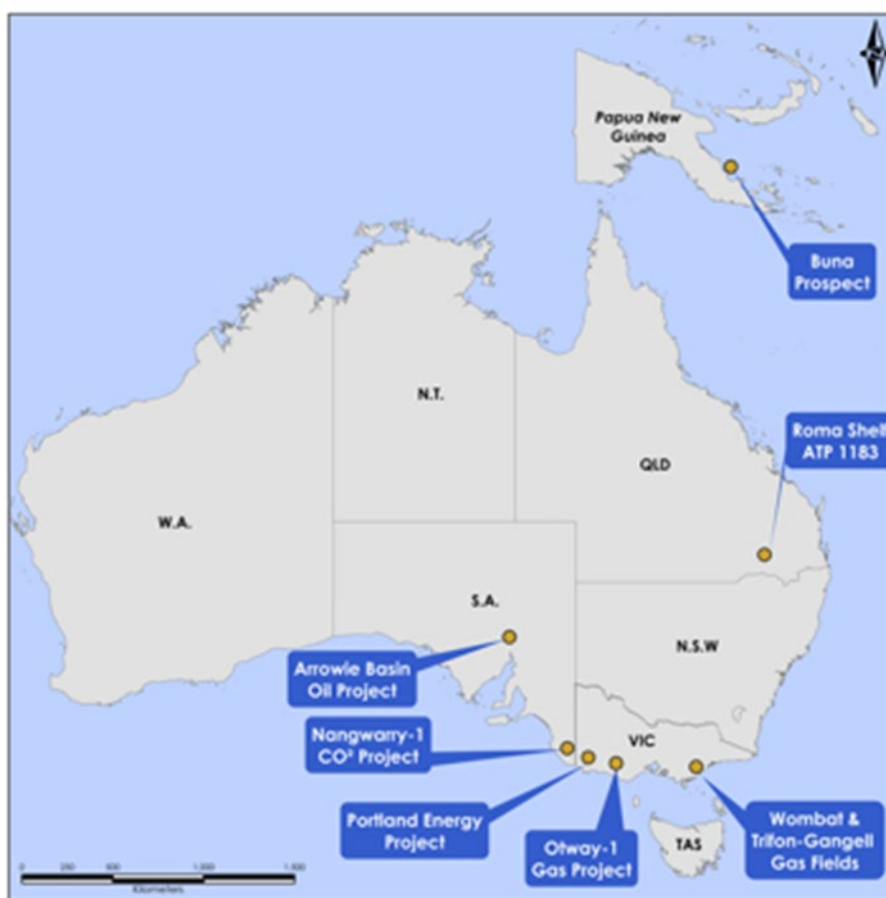


Table 1: Project Portfolio and Prospectivity

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 ⁵ Focus Area: 11.5 Tcf prospective resource ⁵
	PEP 167, Otway Basin, Vic	Permit Area: 116 Tcf gas initially in place ⁵
Buna	PPL 560, PNG	3.1 Tcf prospective resource ⁶

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. *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.*
5. *"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.*
6. *"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. The Company's strategy for realisation of the value of these projects involves:

- a) Early commercialisation of Victorian asset(s), now that exploration is again allowed onshore in Victoria, with initial emphasis on the significant Enterprise North Prospect;
- b) Leveraging returns from the above to realise value for Shareholders, including through development of the world-scale Portland Energy and Buna 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.

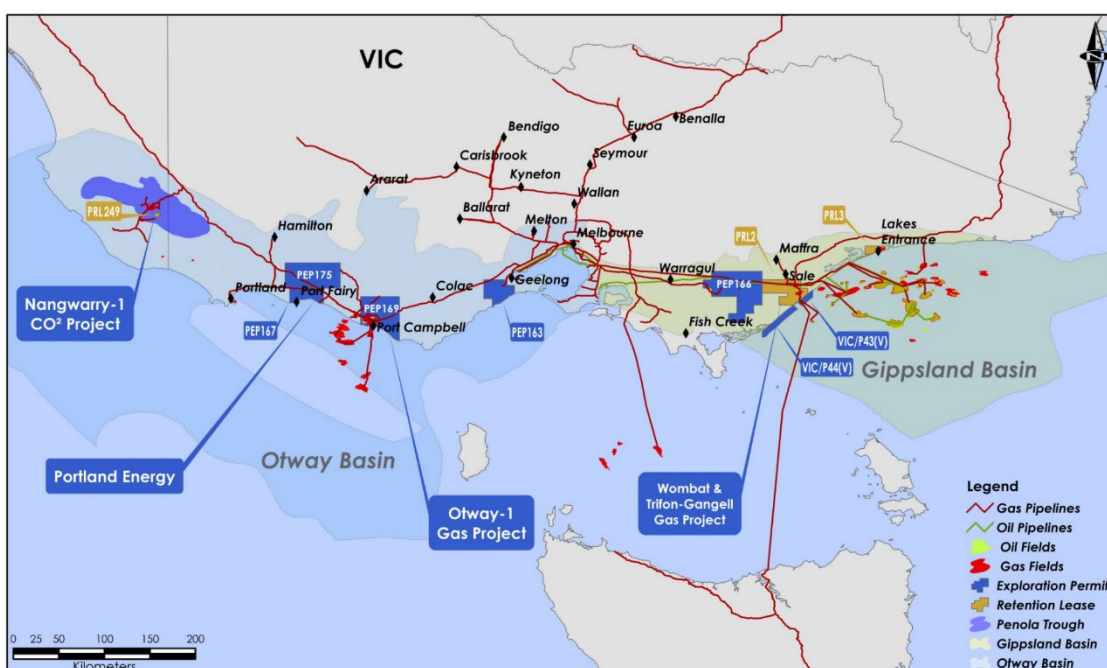
2. Exploration

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, the Company has been working toward securing approval to recommence exploration drilling activity.

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



The key prospects presently being pursued are outlined below.

Petroleum Exploration Permit 169 (PEP169):

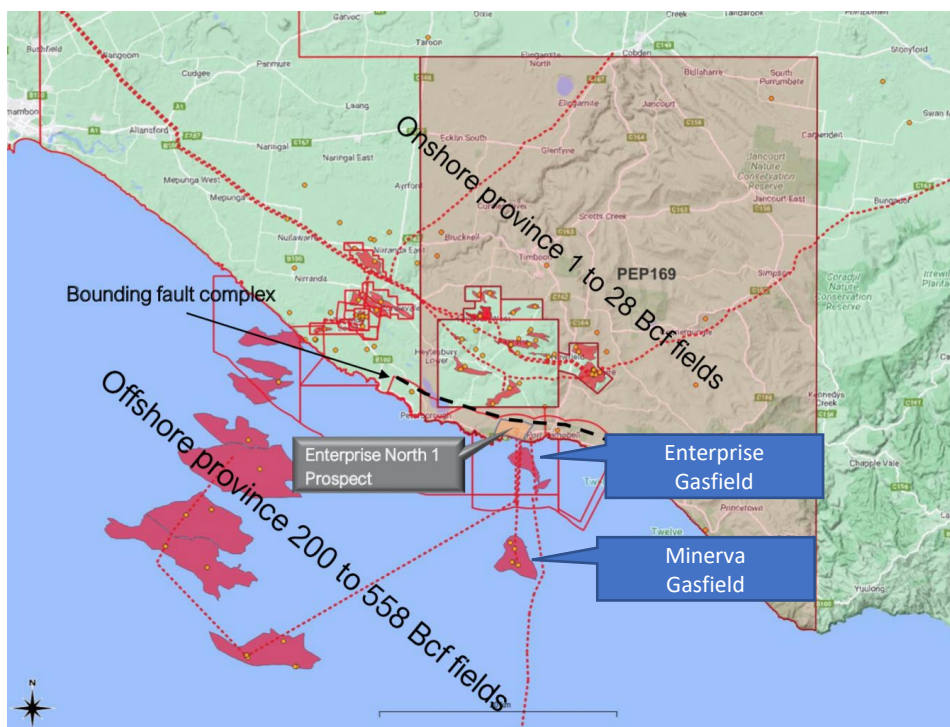
Lakes Blue Energy has a 49% interest in PEP169 with Armour Energy Limited holding the remaining 51% interest. Operatorship of the permit is presently delegated by Armour Energy to Lakes Blue Energy.

The Company has two key exploration objectives within PEP 169 one of which, Enterprise North, was 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.

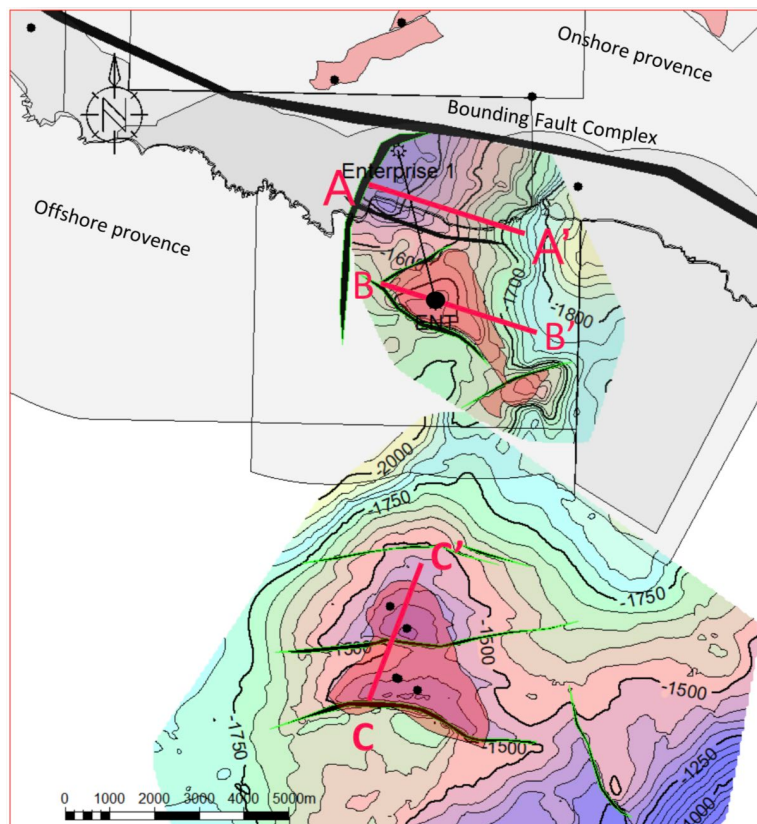
Figure 3: Location of Enterprise North Prospect



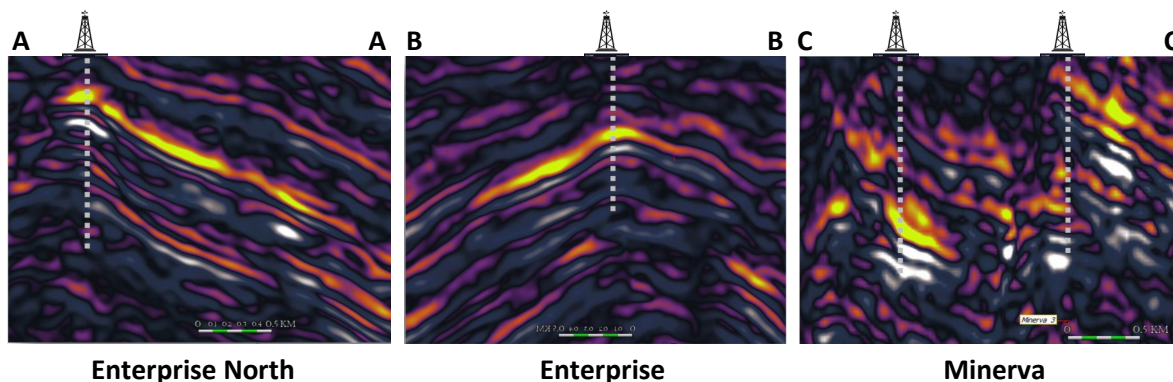
The reservoir rock at Enterprise North is the Waarre Sandstone, which is known to have high porosity (19-25%) and high permeability (1 to 10 Darcy). The Waarre Sandstone is capable of flowing gas at high rates, with 61 million cubic feet per day (MMscfd) achieved during testing of the nearby Enterprise-1 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.

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, Net to Company

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.

During 2022/23, a comprehensive review of the Enterprise North Prospect, including reprocessing and refinement of seismic data, was commenced. The review should be completed early in 2023/24.

The Company is working with joint venture partner, Armour Energy Limited, toward securing land access and approvals necessary for drilling the Enterprise North-1 well. This process has been slower than was anticipated. It is now unlikely the Enterprise North-1 well will be drilled before mid-2024.

The Company has entered into binding terms with Cooper Energy Limited for a farmout of the Company's interest in the Enterprise North-1 well, in exchange for which Cooper Energy will make an upfront payment to the Company and will fund the Company's share of the cost of drilling the well. Details of the arrangement were announced on 23 October 2023. The arrangement is conditional upon receipt of approvals including that of Armour Energy, which has a pre-emptive right to match the proposed Cooper Energy transaction.

- **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.

Figure 5: Location of Proposed Otway-1 Gas Well



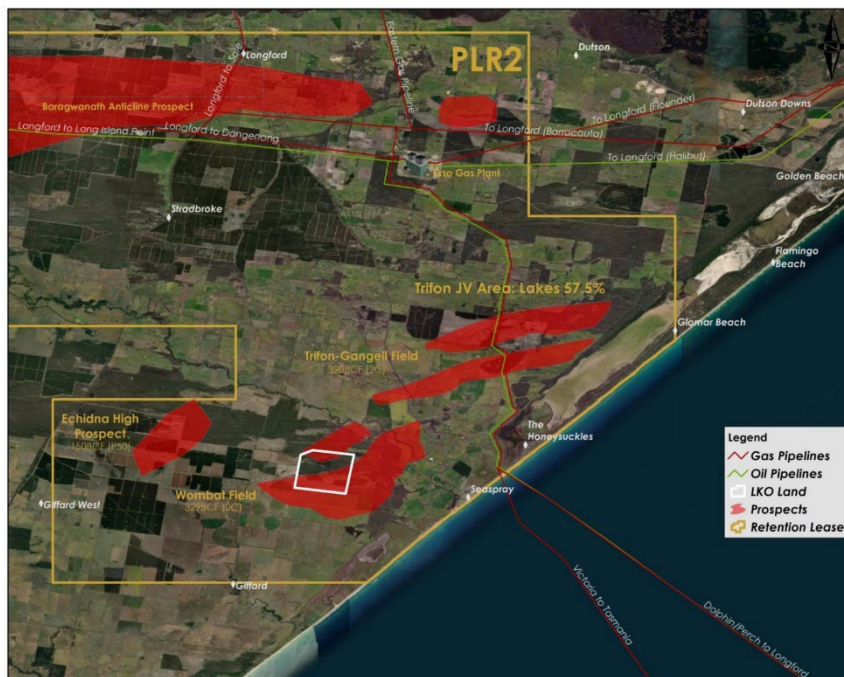
Petroleum Retention Lease 2 (PRL2):

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



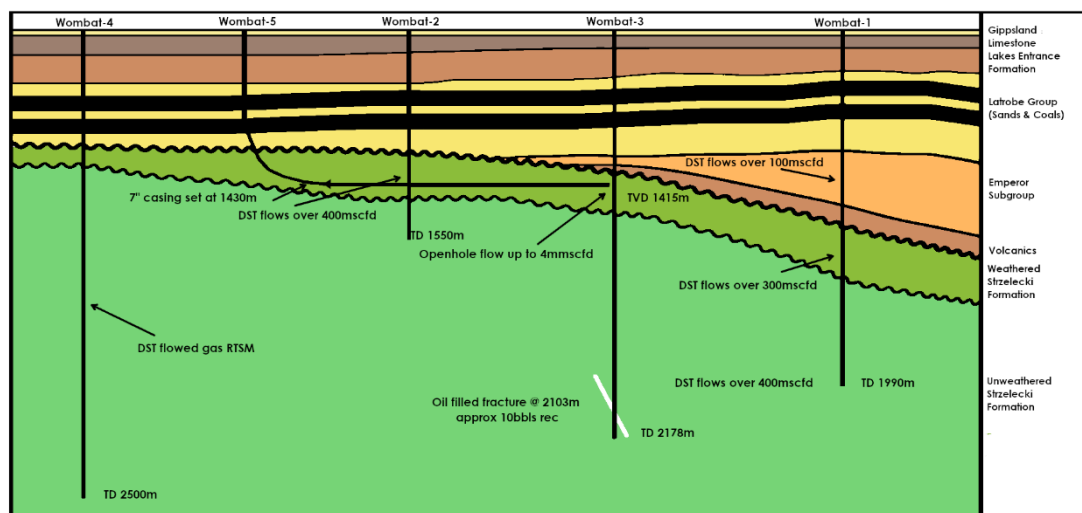
Figure 7: PRL 2



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.

Figure 8: Cross-section, Wombat-5 Well



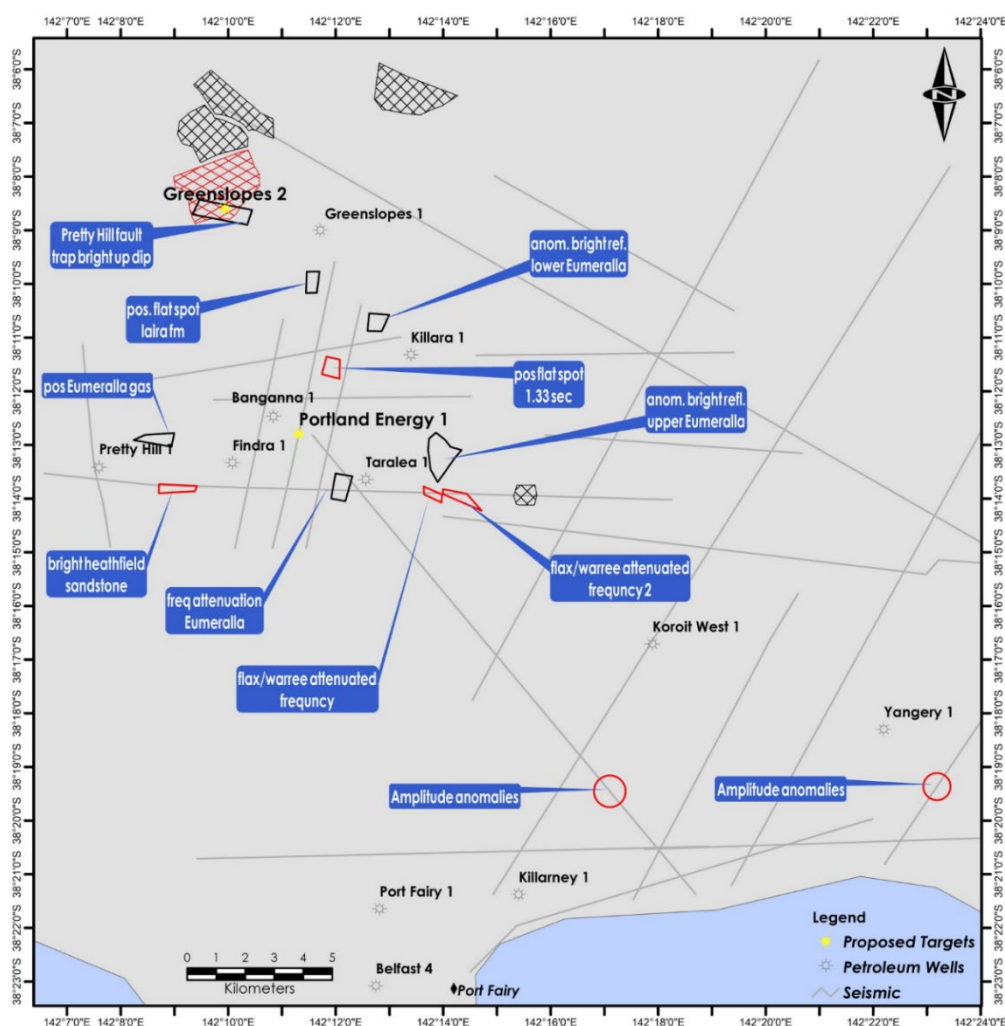
Given the onshore location of the Wombat Gas Field, close to existing gas pipeline infrastructure, it is expected that the field could be brought on line quickly (circa 18 months) and at low cost. With a gas production potential of around 20 PJ/a, development of the Wombat Gas Field could provide quick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

Figure 9: Portland Energy Project - Focus Area



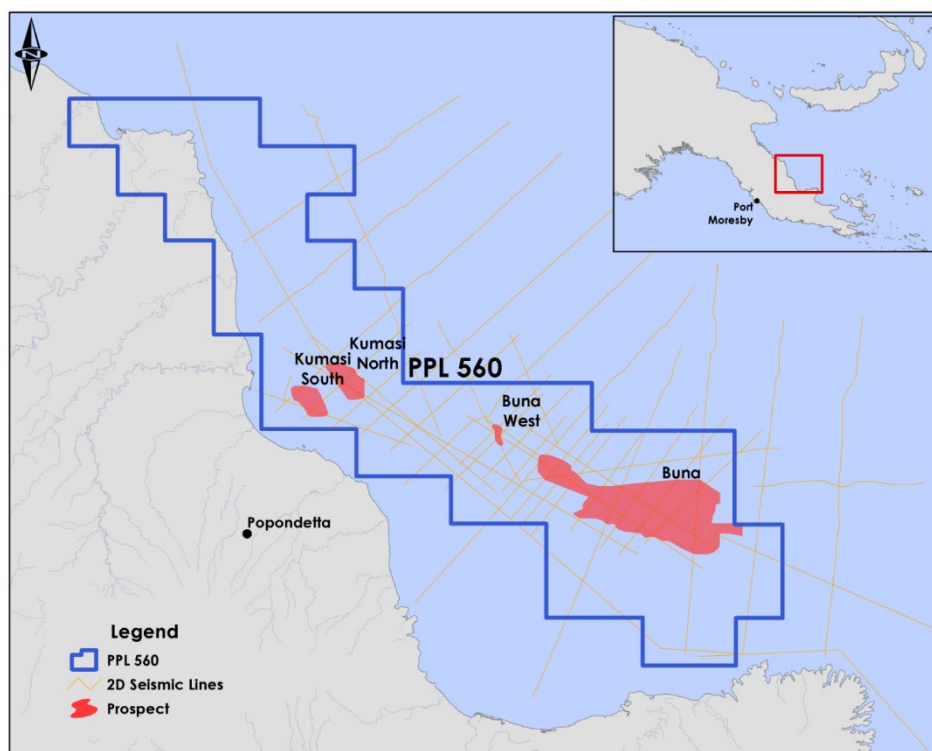
With independent expert assistance, the company has identified preferred locations for drilling of two proof-of-concept wells, Greenslopes-2 and Portland Energy-1. Both wells are to be conventional wells, drilled to a depth of around 1,500 metres with the specific purpose of demonstrating that gas can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

i) Papua New Guinea

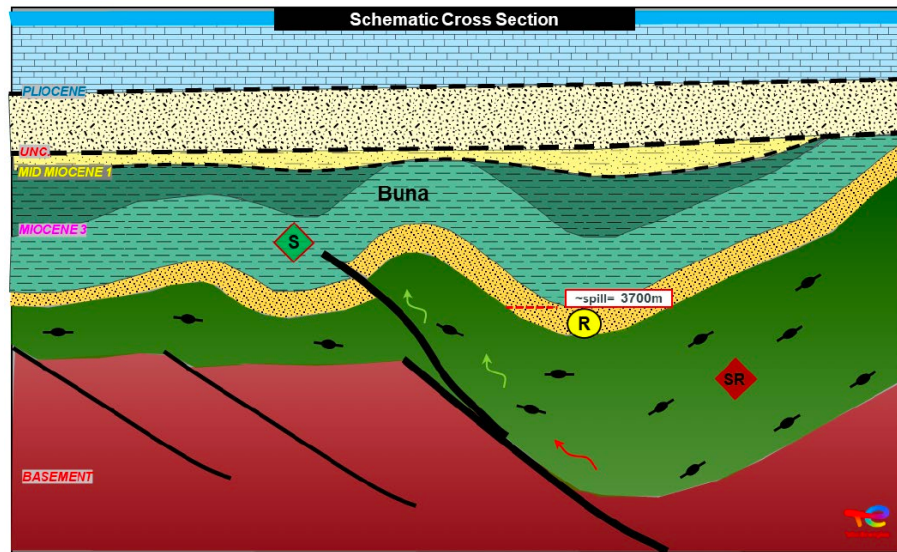
The Company has 100% ownership of three exploration tenements in Papua New Guinea, with Petroleum Prospecting Licence 560 (PPL 560) being of key interest. PPL 560 contains the multi-trillion cubic feet Buna prospect.

Figure 10: PPL 560, Showing Buna Prospect



During 2022/23 TotalEnergies EP PNG Limited (Total) carried out at its cost a technical work program involving analysis of outcrop rock and fluid samples from the Cape Ward Hunt and Cape Vogel Peninsula areas, and comprehensive geological and geophysical studies. This work was carried out pursuant to a Technical Cooperation Agreement (TCA) between Lakes and Total. Total confirmed the prognosed size of the Buna prospect but considers the prospect may be oil, rather than gas, prone. Extracts from Total's findings are presented in Figure 11.

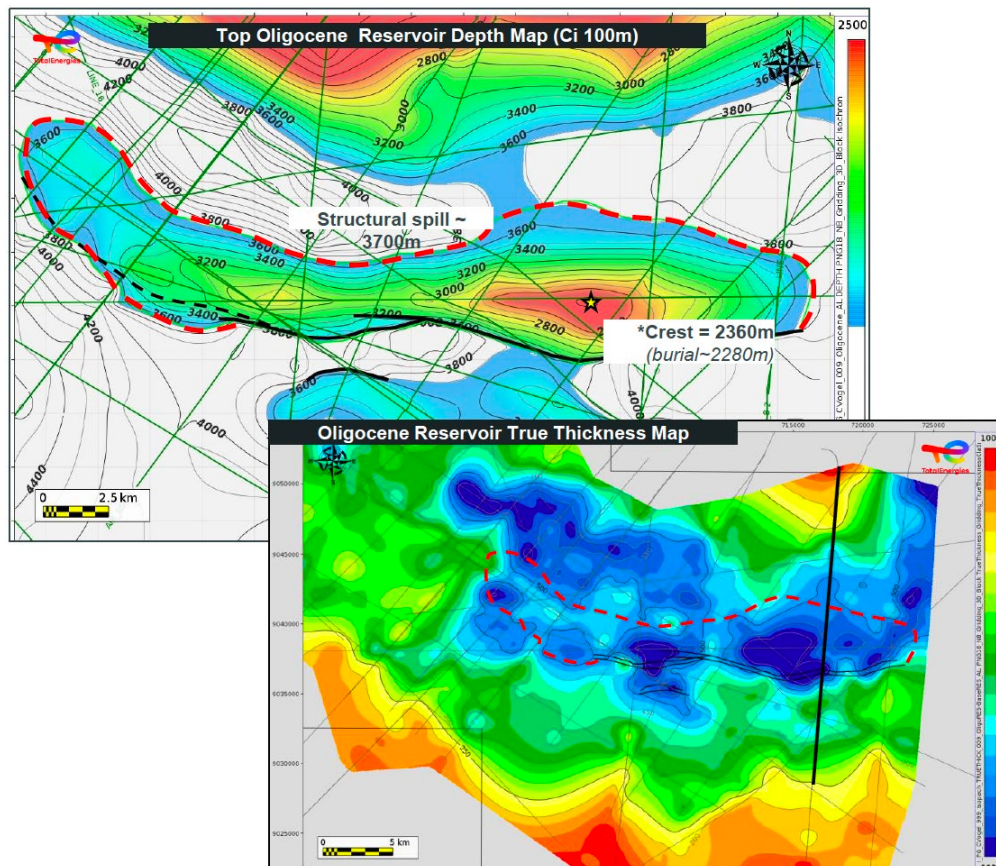
Figure 11a: Illustrative Buna Cross-Section (courtesy Total)



- 4-way dip closure clearly defined in shallow water context.

Unrisked Gross recoverable UMR ~ **590 Mboe**
Main risks: SR Presence and Reservoir Quality

Figure 11b: Mapping of Buna Prospect (courtesy Total)



Under the terms of the TCA, Total had an option upon completion of the first stage of work (outline above) to carry out a 3D seismic acquisition program over the Buna Prospect. Total did not exercise this option.

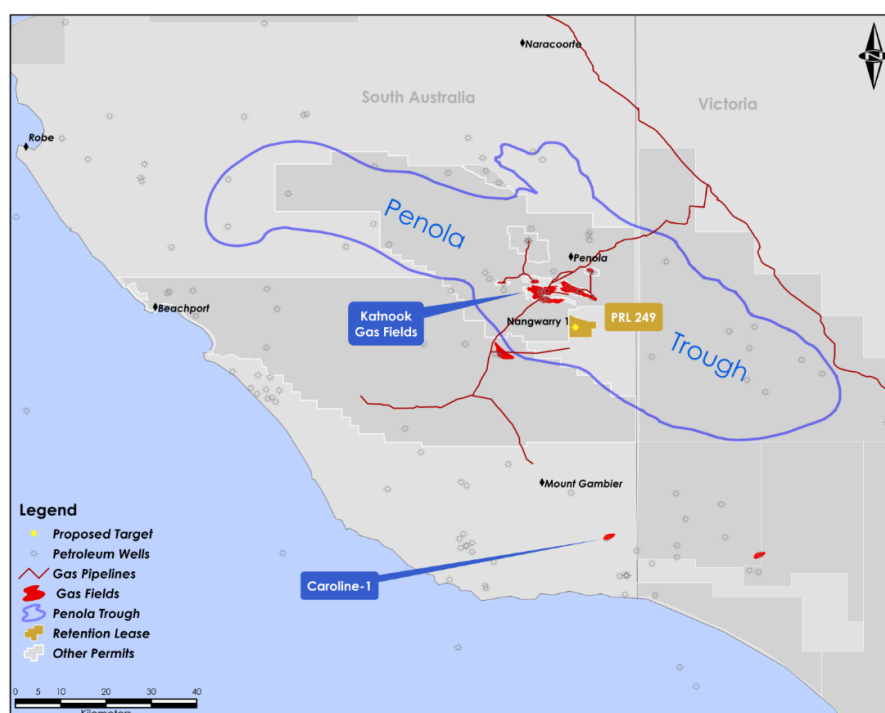
The Company is investigating options for progressing exploration activity at Buna.

ii) 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).

Pirie Torrens Oil & Gas Project (Petroleum Exploration Licence Applications)

The Pirie Torrens Oil and Gas Project incorporates six Petroleum Exploration Licence Applications (PELAs) located in South Australia and covering approximately 53,000km² as outlined in Figure 9. Petroleum exploration activities in the general area first commenced in 1956, when Santos was established to drill for oil at Wilkatana. This work, and subsequent drilling by other companies, historically confirmed the presence of oil and gas across the area of interest.

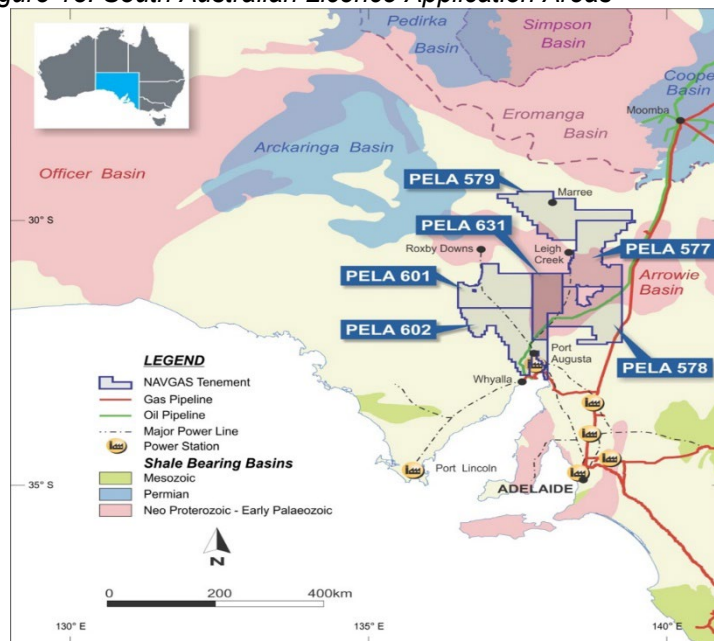
The Company has an arrangement in place with Gehyra Flux Pty Ltd (Gehyra) pursuant to which:

- Lakes will transfer to Gehyra a fifty percent (50%) interest in six Petroleum Exploration Licence Applications (PELAs) that Lakes holds, through the Company's wholly owned subsidiary NavGas Pty Ltd, in the Arrowie Basin, South Australia (Figure 13).
- Gehyra is, at its cost, carrying out work that is a necessary prerequisite for the PELAs to be granted as Petroleum Exploration Licences (PELs). This includes negotiation of native title matters and agreements.
- Gehyra will have exclusive 100% rights to explore for and produce natural hydrogen from within the area of the PELs. Lakes will retain exclusive 100% rights to explore for and produce petroleum from within the area of the PELs.
- Recognising the similarity between hydrogen and petroleum exploration techniques, Lakes and Gehyra have the opportunity to coordinate their exploration efforts and share technical information.
- In the event discoveries are made, Gehyra will pay to Lakes a two percent (2%) royalty on the value of any hydrogen produced and Lakes will pay to Gehyra a two percent (2%) royalty on the value of any petroleum produced.

The petroleum prospect of near-term interest to the Company are:

- the potential for oil production to the north of Wilkatana (in an area of closure, associated with the Torrens Hinge Zone, that can be identified on modern seismic data but which has not yet been drilled); and
- the potential for production of gas from the Tindelpina Shale, which has been demonstrated to contain gas, but has not been explored using modern techniques.

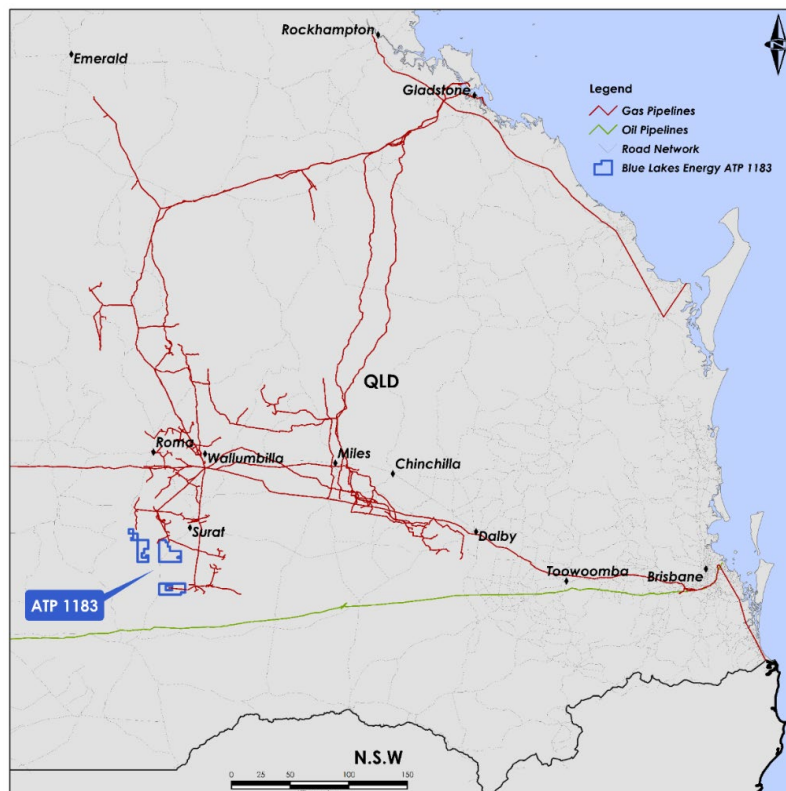
Figure 13: South Australian Licence Application Areas



iii) 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 14. There are existing gas processing facilities at Silver Springs (AGL) and Kincora (Armour Energy).

Figure 14: ATP 1183 Location



ATP 1183 contains multiple exploration targets, as illustrated in Figure 15 and summarised in Table 4.

Figure 15: Exploration Prospects Within ATP 1183

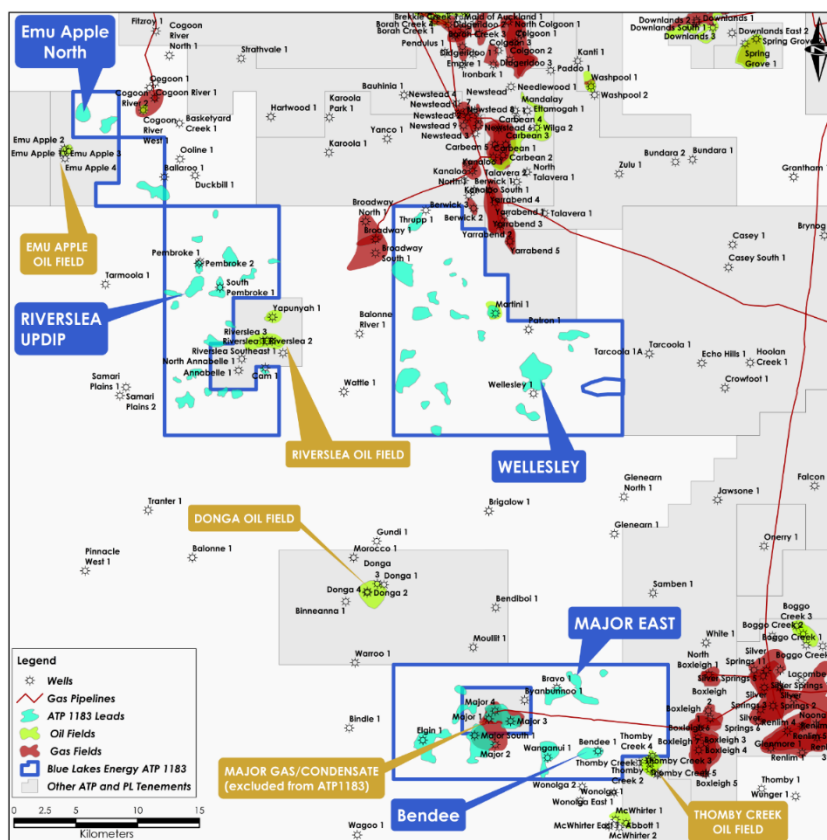


Table 4: ATP 1183 Resource Potential

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 2023

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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Risk Management

The material risks for the Group are identified below. This list of risk factors should not be taken as exhaustive. These factors and others not specifically referred to may materially affect the performance of the Company.

Contractual Dispute Risk

Contractual disputes with joint venture partners, operators and contractors can arise from time to time. Some of the Company's projects are conducted as joint ventures. Where a venture partner does not satisfy its financial or other commitments or act in the best commercial interest of the project, it could have a material adverse effect on the interests of the Company. The Company is unable to predict the risk of financial failure, non-compliance with obligations or default by a participant in any venture to which it is, or may become, a party, or insolvency or managerial failure by any of contractors used by the Company in its exploration activities. Given that the Company has entered into joint venture and farmout agreements, the inability of those joint venturers or farminees to meet contracted obligations could adversely affect the Company's capacity to carry out its own activities.

Climate Change Risk

The Company recognises that climate change is a shared global challenge and that global and local policies in response to climate change may affect the Company. The Company identifies climate change and climate change regulation as strategic risks that ultimately may affect the Company's future operating and financial performance. These risks include, but are not limited to, unpredictable weather conditions which may have direct or indirect adverse impacts on the Company's operations or customer markets, including capital markets. The Company remains alert to scenarios around global megatrends impacted by climate change, such as globalisation, digitalisation and automation, and how these will impact the Company's future activities.

Exploration Company Risk

As the Company is an exploration company, the market's perception of the value of its shares can alter significantly from time to time, causing fluctuations in the Company's share price. Fluctuations may also occur as a result of factors influencing the price of shares in exploration companies or share prices generally, as well as drilling activities by other parties in the same general region. The price of shares rises and falls and many factors affect the price of shares including local and international stock markets, movements in interest rates, economic and political conditions and investor and consumer sentiment. The stockmarkets generally remain volatile. More generally, the Navgas South Australian interests are held in the form of licence applications which need to convert into exploration licences and then in due course production licences before petroleum can be produced, which carries with it various regulatory and process risks.

Industry Nature Risk

Oil and gas exploration activity, especially drilling, by its nature is risky. Where exploration is successful, drilling operations can be affected by breakdowns, adverse weather conditions, site and geographical conditions, operational risks, shortage or delays in the delivery of rigs and/or other equipment, industrial disputes, government regulations, environmental issues and unanticipated costs. Hazards incident to the exploration and development of oil and gas properties such as unusual or unexpected formations, pressures or other factors are inherent in drilling and operating wells and may be encountered by the Company. Exploration may be unsuccessful. Exploration may prove to be more costly than expected or the proposed timing of exploration may not be achieved, thus potentially putting strains on the Company's financial position.

Operating Risk

Industry operating risks include the risk of fire, explosions, blow-outs, pipe failure, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures or discharges of toxic gasses, the occurrence of any of which could result in substantial losses to the Company due to injury or loss of life, severe damage to, or destruction of property, natural resources and equipment, pollution or other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations, the occurrence of any of which could result in substantial losses to the Company. Damages occurring as a result of such risks may give rise to claims against the Company. The occurrence of an event that is not covered, or fully covered, by insurance could have a material adverse effect on the business, financial condition and results of operations of the Company.

Commercial Discovery Risk

Even if an apparently viable deposit is identified, there is no guarantee that it can be profitably exploited. While drilling may yield some hydrocarbons there can be no guarantee that any discovery will be sufficiently productive to justify commercial development or cover operating costs. There can be no assurance that the Company will achieve production as this will

depend on a wide range of factors, including development decisions, capital costs and operating costs and the ability of the Company to fund these costs.

Reserve and Resource Estimates Risk

Hydrocarbon reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. In addition, such estimates are necessarily imprecise and depend to a significant extent on interpretations, which may prove inaccurate. The calculation of any possible volume of hydrocarbons in a prospect may be proved incorrect by future exploration/production, mapping and/or drilling.

Regulatory Risk

It may not always be possible for the Company to participate in the exploitation of successful discoveries made in any areas in which the Company has an interest. Such exploitation will involve the need to obtain the necessary licences or clearances from the relevant authorities, which may require conditions to be satisfied and/or the exercise of discretions by such authorities. It may or may not be possible for such conditions to be satisfied. Further the decision to proceed to further exploitation may require the participation of other companies whose interests and objectives may not be the same as the Company. Such further work may require the Company to meet or commit to financing obligations for which it may not have planned.

Market Pricing Risk

Potential investors should consider the impacts of supply and demand for commodities (especially oil and gas), fluctuations in the prices of those commodities, exchange rates, Australia's inflation rates, taxation laws and interest rates. All of these factors have a bearing on operating costs, potential revenue and share prices. In particular, the price of oil is volatile and cannot be controlled. Oil and gas prices have fluctuated widely in recent years, and if the price of hydrocarbons falls significantly and remains depressed, this could affect the financial viability of any reserves discovered. There is no assurance that, even if significant quantities of hydrocarbon products are discovered, a profitable market may exist for their sale. The marketability of hydrocarbons is also affected by numerous other factors beyond the control of the Company, including government regulations relating to royalties, allowable production and importing and exporting of oil and gas and petroleum products, the effect of which cannot be accurately predicted.

Environmental Risk

In relation to the exploration permits held by the Company, issues can arise from time to time with respect to abandonment costs, consequential clean up costs and environmental concerns. The Company could become subject to liability if, for example, there is environmental pollution and consequential clean up costs at a later point in time. It is not possible to quantify any such contingent liability. Whilst no guarantee can be given, the Company is not aware of any advices which would suggest that there is any particular exposure in relation to any of its present interests.

Governmental Risk

The impact of actions by governments may affect the Company's operations including matters such as necessary approvals, land access, sovereign risk, additional or increased taxation and royalties which are payable on the proceeds of the sale of any successful exploration. Further, the approval of contractual arrangements in relation to exploration permits as well as the renewal of exploration permits is each a matter of governmental discretion and no guarantee can be given in this regard. A failure to obtain any approval would mean that the ability of the Company to participate in or develop any project may be limited or restricted either in part or absolutely. Industry profitability can be affected by changes in tax policies and the interpretation and application thereof.

Rehabilitation Risk

Lakes has 10 wells/sites for which it may be liable for rehabilitation costs. Whilst an estimate for these costs has been provided for in the financial statements, these rehabilitation costs can be difficult to estimate and there may be a risk that the realised costs are higher than provided, which would result in an adverse effect on Lakes Blue's profitability. The Eagle Prospect (California), in which the Company holds a 17.97% interest, has liability for rehabilitation of one well. The operator of that project has estimated the cost of rehabilitation at US\$450,000, the Company's share of which is US\$80,000. The rehabilitation works will not be undertaken in the near term, and the proceeds of the Offer will not be applied toward meeting the cost of these works.

Native Title Risk

Native title rights may adversely impact on the Company's operations. In particular, the Company's ability to explore within the area of its South Australian petroleum exploration licence applications is subject to negotiation of native title land access arrangements. While the Company has entered into arrangements with Gehyra Flu Pty Ltd whereby Gehyra Flux is at its cost dealing with native title issues in order to convert the licence applications into exploration licences, there is no guarantee that the requisite arrangements will be finalised. Upon finalisation of the native title arrangements Gehyra Flux will have rights in

relation to hydrogen within the licence areas while the Company will retain rights to petroleum. Cryptid will pay the Company a 2% royalty on any hydrogen produced and the Company will pay Cryptid a 2% royalty on any petroleum produced.

Epidemic or other Global Risks

The Company's operations are dependent upon the availability of suitable qualified and experienced personnel and equipment, such as drilling rigs. Local or widespread epidemics (pandemics) or conflict can adversely impact the availability of, or ability to mobilise, personnel and equipment. For example, testing of the Nangwarry-1 gas well in South Australia was delayed owing to impacts of the Covid-19 virus.

Bush Fires

The Company's operations may be carried out in bush fire prone areas. This can require special measures to be taken when performing, or impact the timing of, the Company's field activities. Alternatively, the outbreak of bush fire may mean activities have to be suspended and additional costs (such as stand-by or replacement costs) incurred.

LAKES BLUE ENERGY NL

Directors' report

30 June 2023

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 2023.

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 \$3,028,293 (30 June 2022: \$14,244,904).

Interest and other income for the period amounted to \$44,464 (2022: \$36,713).

Total expenses for the financial year were \$3,072,757 (2022: \$14,281,617). The major expenses for the year were finance costs of \$1,468,490 (2022: \$1,307,717), as well as administrative expenses, which amounted to \$643,788 (2022: \$378,029). Employee benefit expenses amounted to \$397,442 (2022: \$265,410).

Financial Position

The net assets of the consolidated entity increased by \$7,260,123 to \$13,721,745 as at 30 June 2023 (2022: \$6,461,622), primarily due to the maturity of convertible notes, of which the majority were converted, resulting in a nil balance of convertible note liabilities at 30 June 2023 (2022: \$8,178,391). The consolidated entity's working capital position, being current assets less current liabilities was in deficit of \$136,159 at 30 June 2023 (2022: \$6,411,407). During the period the consolidated entity had a negative cash flow from operating activities of \$1,602,238 (2022: \$1,418,647).

Significant changes in the state of affairs

i) Research and Development Grant

On 14 April 2023 the Administrative Appeals Tribunal (AAT) handed down its decision in relation the Company's application for review of Innovation and Science Australia's (ISA's) determination that the Company's 2013/14 Research and Development activities did not qualify for Research and Development rebates. The AAT decision affirmed ISA's determination. The Company is continuing to repay, at the rate of \$20,000 per month, the outstanding balance of the original \$1.02m rebate, plus general interest charges and a shortfall penalty assessment. At 30 June 2023, the balance owing was \$576k.

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.

LAKES BLUE ENERGY NL

Directors' report

30 June 2023

Information on directors

Name:	Richard Ash
Title:	Non-Executive Chairman
Qualifications:	B.Ec, 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:	408,761,876 fully paid ordinary shares
Interests in rights:	Nil
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:	1,519,765,672 fully paid ordinary shares
Interests in rights:	Nil
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:	1,010,857,899 fully paid ordinary shares
Interests in rights:	Nil

LAKES BLUE ENERGY NL

Directors' report

30 June 2023

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

Meetings of directors

The number of meetings of the Company's Board of Directors ('the Board') held during the year ended 30 June 2023, and the number of meetings attended by each director were:

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

LAKES BLUE ENERGY NL

Directors' report

30 June 2023

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.

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 November 2022 Annual General Meeting ('AGM')

The Company received 92.25% 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.

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
 - \$75,000 p.a. in Directors fees inclusive of superannuation with no termination benefits;

LAKES BLUE ENERGY NL

Directors' report

30 June 2023

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
 - \$60,000 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
 - \$60,000 p.a. in Directors fees inclusive of superannuation with no termination benefits.

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 2023

Amounts of remuneration

	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Leave entitlement	Super-annuation	Long service leave	Equity-settled *	Total
	\$	\$	\$	\$	\$	\$
2023						
<i>Non-Executive Directors:</i>						
Richard Ash ***	30,787	-	-	-	61,574	92,361
Nicholas Mather ***	23,704	-	-	-	47,407	71,111
<i>Executive Director and CEO:</i>						
Roland Sleeman**	167,382	-	-	-	33,889	201,271
<i>Other Key Management Personnel:</i>						
Tim O'Brien	343,875	1,992	25,292	26,283	-	397,442
	565,748	1,992	25,292	26,283	142,870	762,185
	Short-term benefits		Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Leave entitlement	Super-annuation	Long service leave	Equity-settled *	Total
	\$	\$	\$	\$	\$	\$
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
	412,361	-	18,850	4,894	138,199	596,273

* Includes remuneration settled in shares during the year, as well as amounts yet to be settled that are included in the trade and other payables balance.

** 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 \$60,000 per annum. The balance of unpaid Directors fees for the year is expected to be settled in equity instruments.

*** Annual Directors fees were increased to \$75,000 per annum for Mr. Richard Ash and \$60,000 per annum for Mr. Nicholas Mather and Mr. Roland Sleeman, effective 1 February 2022. Amounts shown in cash salary and fees includes amounts yet to be paid in cash and are currently in trade and other payables. 2/3 of the Directors fees are expected to be settled in shares and as such, the balance has been disclosed in "Equity settled" column.

LAKES BLUE ENERGY NL**Directors' report****30 June 2023**

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

Name	Fixed remuneration		At risk - LTI	
	2023	2022	2023	2022
<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	90%	100%	10%	-

Share-based compensation**Issue of shares**

A total of 99,999,000 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 November 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 2023.

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 2023.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2023 are summarised below:

	2023	2022	2021	2020	2019
	\$	\$	\$	\$	\$
Revenue (excluding fair value gains and losses)	44,464	36,713	189,776	1,741,053	871,567
Loss before tax	(3,028,293)	(14,244,904)	(4,205,480)	(624,653)	(3,349,348)
Share price (\$)	0.0010	0.0010	0.0015	0.0015	0.0010

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 2023*****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	Share issue on conversion of Convertible Notes	Balance at the end of the year
<i>Ordinary shares</i>				
Richard Ash	375,428,876	33,333,000	-	408,761,876
Roland Sleeman	399,189,715	33,333,000	1,087,242,957	1,519,765,672
Nicholas Mather	193,000,408	33,333,000	784,524,491	1,010,857,899
Tim O'Brien	167,350,000	-	932,522,961	1,099,872,961
	1,134,968,999	99,999,000	2,804,290,409	4,039,258,408

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	954,208,825	133,034,132	(1,087,242,957)	-
Nicholas Mather	654,661,348	129,863,143	(784,524,491)	-
Tim O'Brien	681,040,255	251,482,706	(932,522,961)	-
	2,289,910,428	514,379,981	(2,804,290,409)	-

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 2023

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 2023 (30 June 2022: 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 2023 (30 June 2022: Nil) and up to the date of this report.

Shares under unlisted convertible redeemable notes

During the year ended 30 June 2023, the Company issued 2,136,523,934 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 2023 and up to the date of this annual report, 13,650,146,002 convertible redeemable notes were converted into fully paid ordinary shares, and 348,655,120 were repaid to investors.

As at the date of this annual report, the Company had no 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 2023

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

25 October 2023

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 2023 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, 25 October 2023

Lakes Blue Energy NL
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Interest income		15,266	7,094
Other income	4	29,198	29,619
Total revenue and other income		44,464	36,713
Employee benefits expense		(397,442)	(265,410)
Depreciation expense	5	(3,125)	(3,990)
Impairment expense on exploration and evaluation assets	5	(41,718)	(11,529,794)
Accounting and audit expense		(228,850)	(172,423)
Exploration expense	5	(5,614)	(77,210)
Administrative expense	5	(643,788)	(378,029)
Consulting expense		(253,165)	(424,712)
Finance costs		(1,468,490)	(1,307,717)
Rent and occupancy expense		(30,565)	(55,332)
R&D repayable			(67,000)
Loss before income tax expense		(3,028,293)	(14,244,904)
Income tax expense	6	-	-
Loss after income tax expense for the year		(3,028,293)	(14,244,904)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss		(3,028,293)	(14,244,904)
Loss for the year is attributable to:			
Non-controlling interest		(886)	(2,597)
Owners of Lakes Blue Energy NL		(3,027,407)	(14,242,307)
Total comprehensive loss for the year		(3,028,293)	(14,244,904)
		Cents	Cents
Basic loss per share attributed to owners of Lakes Blue Energy NL	17	(0.0062)	(0.0363)
Diluted loss per share attributed to owners of Lakes Blue Energy NL	17	(0.0062)	(0.0363)

The accompanying notes form part of these financial statements.

Lakes Blue Energy NL
Consolidated statement of financial position
For the year ended 30 June 2023

	Note	2023 \$	2022 \$
Assets			
Current assets			
Cash and cash equivalents	7	759,889	2,308,111
Other receivables	8	191,443	123,370
Other financial assets	9	424,196	590,575
Prepayments		59,960	16,556
Total current assets		1,435,488	3,038,612
Non-current assets			
Other receivables		12,000	12,000
Property plant and equipment	10	681,288	684,275
Exploration and evaluation	11	13,714,616	13,235,080
Total non-current assets		14,407,904	13,931,355
Total assets		15,843,392	16,969,967
Liabilities			
Current liabilities			
Trade and other payables	12	1,381,796	1,110,052
Provisions	13	189,851	161,576
Convertible notes	14	-	8,178,391
Total current liabilities		1,571,647	9,450,019
Non-current liabilities			
Other payables	12	-	508,326
Provisions	13	550,000	550,000
Total non-current liabilities		550,000	1,058,326
Total liabilities		2,121,647	10,508,345
Net assets		13,721,745	6,461,622
Equity			
Share capital	15	152,830,912	141,761,435
Reserves	16	-	804,409
Accumulated losses		(139,189,851)	(136,185,792)
Equity attributable to the owners of Lakes Blue Energy NL		13,641,061	6,380,052
Non-controlling interest		80,684	81,570
Total equity		13,721,745	6,461,622

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 2023

30 June 2021	Contributed equity	Convertible notes 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)
Recognition of equity component of convertible notes	-	143,190	-	-	143,190
Balance as at 30 June 2022	141,761,435	804,409	(136,185,792)	81,570	6,461,622
30 June 2023	Contributed equity	Convertible notes reserve	Accumulated losses	Non-controlling interest	Total
	\$	\$	\$	\$	\$
Balance as at 1 July 2022	141,761,435	804,409	(136,185,792)	81,570	6,461,622
Loss after income tax for the year	-	-	(3,027,407)	(886)	(3,028,293)
Other comprehensive income for the period, net of tax	-	-	-	-	-
Total comprehensive income for the year			(3,027,407)	(886)	(3,028,293)
<i>Transactions with owners in their capacity as owners:</i>					
Capital placement	1,000,000	-	-	-	1,000,000
Capital raising costs	(92,194)	-	-	-	(92,194)
Shares issued in lieu of payments to Directors	100,000	-	-	-	100,000
Shares issued on conversion of convertible notes	10,061,671	(838,650)	-	-	9,223,021
Recognition of equity component of convertible notes	-	57,589	-	-	57,589
Repayment of convertible notes	-	(23,348)	23,348	-	-
Balance as at 30 June 2023	152,830,912	-	(139,189,851)	80,684	13,721,745

The accompanying notes form part of these financial statements.

Lakes Blue Energy NL
Consolidated statement of cash flows
For the year ended 30 June 2023

	NOTE	2023 \$	2022 \$
Cash flows from operating activities			
Cash receipts from other income		-	29,619
Cash receipts from reimbursement of capitalised exploration		108,726	-
Payments for suppliers and employees		(1,728,952)	(1,465,698)
Interest received		17,988	17,432
Interest paid		-	-
Net cash used in operating activities		(1,602,238)	(1,418,647)
Cash flows from investing activities			
Payments for exploration and evaluation assets		(698,761)	(1,997,941)
Refunds of deposits		146,500	-
Net cash used in investing activities		(552,261)	(1,997,941)
Cash flows from financing activities			
Proceeds from issue of shares		1,000,000	5,550,610
Capital raising costs		(92,194)	(295,546)
Repayment of convertible notes		(301,529)	-
Net cash from financing activities		606,277	5,255,064
Net increase/(decrease) in cash and cash equivalents		(1,548,222)	1,838,476
Cash and cash equivalents at the beginning of the financial year		2,308,111	469,635
Cash and cash equivalents at the end of the financial year	7	759,889	2,308,111

The accompanying notes form part of these financial statements.

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 25 October 2023.

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 2023 of \$3,028,293 (2022: \$14,244,904) and at reporting date has net assets of \$13,721,745 (2022: \$6,461,622) including \$13,714,616 (2021: \$13,235,080) of capitalised exploration, evaluation and development costs. At reporting date the Company's current liabilities exceeded current assets by \$136,159 (2022: \$6,411,407).

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.

Post year-end, the Group has completed a rights issue, and raised \$363,480 before costs. Furthermore, subsequent to year-end, the Group agreed binding terms with Cooper Energy Limited to farmout a 25.1% interest in Petroleum Exploration Permit 169 (PEP 169), which upon finalisation of the transaction agreement will result in an upfront payment to the Group of \$1.2 million, as well as Cover the Group's share drilling costs for the Enterprise North-1 well up to an agreed maximum \$1.25 million cap.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2023. 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 2023 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.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2023. 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.

NOTE 2: SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

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.

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.

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

Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2023

NOTE 3: OPERATING SEGMENTS (CONTINUED)

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

	2023	Consolidated 2022
	\$	\$
Refunds received	29,198	29,619
Total revenue and other income	29,198	29,619

NOTE 5: EXPENSES

	2023	Consolidated 2022
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation expense</i>		
Property, plant and equipment	3,125	3,990
<i>Impairment expense</i>		
Impairment of exploration and evaluation assets (see note 11)	41,718	11,529,794
<i>Exploration expense</i>		
Expenses incurred in relation to exploration assets that are fully impaired	5,614	77,210
<i>Administrative expenses</i>		
Travel and accommodation	24,985	22,419
Share registry costs and listing fees	148,806	151,540
Legal fees	139,553	46,092
Directors fees	231,806	100,000
Insurance premiums	70,154	61,461
Office and other administrative expenses	40,591	20,476
Copier, postage and courier costs	482	754
Consultancy, accountancy and secretarial fees	61,525	35,597
Less portion attributed to exploration permits capitalised	(74,114)	(60,310)
Total administrative	643,788	378,029

Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2023

NOTE 6: INCOME TAX EXPENSE

	2023	Consolidated 2022
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss from continuing operations before income tax expense	(3,028,293)	(14,219,904)
Tax at the statutory rate of 25% (2022: 25%)	(757,073)	(3,554,976)
Add tax effect of:		
- Other assessable items	-	-
- Other non-allowable items	11,211	2,883,446
Less tax effect of:	-	-
- Other non-assessable items	-	-
- Other deductible items	-	-
Amounts not brought to account as a deferred tax asset in the current year	47,894	(90,132)
Benefits of tax losses not brought to account	697,968	761,662
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
- 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.

NOTE 6: INCOME TAX EXPENSE (CONTINUED)

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

	2023	Consolidated 2022
	\$	\$
Cash at bank	689,389	2,237,611
Cash on deposit, 3-month maturity	70,500	70,500
Cash and cash equivalents balance	759,889	2,308,111

NOTE 8: TRADE AND OTHER RECEIVABLES

	2023	Consolidated 2022
	\$	\$
Current		
Other receivables	152,002	48,699
Rental deposit	3,262	3,262
GST receivable	36,179	71,409
	191,443	123,370
Non-current		
Security deposit	12,000	12,000
	12,000	12,000
Trade and other receivables balance	203,443	135,370

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

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.

Lakes Blue Energy NL
Notes to the financial statements
For the year ended 30 June 2023

NOTE 9: OTHER FINANCIAL ASSETS

	2023	Consolidated 2022
	\$	\$
Short term deposits	424,196	590,575
Other financial assets balance	424,196	590,575

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

	2023	Consolidated 2022
	\$	\$
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	456,982	456,625
Less: Accumulated depreciation	(441,441)	(438,097)
Plant and equipment balance	15,541	18,528
Property, plant and equipment balance	681,288	684,275

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 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
Foreign exchange translations of opening balances	-	138	138
Depreciation expense	-	(3,125)	(3,125)
Balance at 30 June 2023	665,747	15,541	681,288

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.

Lakes Blue Energy NL
Notes to the financial statements
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NOTE 10: PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	2023	Consolidated 2022
	\$	\$
Exploration and evaluation	78,673,944	78,152,689
Less: Provision for impairment	(64,959,328)	(64,917,609)
Exploration and evaluation balance	13,714,616	13,235,080

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 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
Expenditure during the year	521,254
Impairment of assets	(41,718)
Balance at 30 June 2023	13,714,616

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

NOTE 11: EXPLORATION AND EVALUATION (CONTINUED)

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 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.

NOTE 12: TRADE AND OTHER PAYABLES

	2023	Consolidated 2022
	\$	\$
Current		
Trade and accrued payables	791,068	852,236
Payable to Innovation Science Australia*	576,089	240,000
Other payables	14,639	17,816
	1,381,796	1,110,052
Non-current		
Payable to Innovation Science Australia*	-	508,326
	-	508,326
Trade and other payables balance	1,381,796	1,618,378

- * On 14 April 2023 the Administrative Appeals Tribunal (AAT) handed down its decision in relation the Company's application for review of Innovation and Science Australia's (ISA's) determination that the Company's 2013/14 Research and Development activities did not qualify for Research and Development rebates. The AAT decision affirmed ISA's determination. The Company is continuing to repay the balance of the \$1.02m rebate, plus general interest charges and a shortfall penalty assessment, at \$20,000 per month per the previous payment arrangement. At 30 June 2023, the balance owing was \$576k, and is now a current liability as a result of the recent decision.

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.

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NOTE 13: PROVISIONS

	2023	Consolidated 2022
	\$	\$
Current		
Annual leave	77,961	75,969
Long service leave	111,890	85,607
	189,851	161,576
Non-current		
Restoration costs	300,000	300,000
Provision for royalties *	250,000	250,000
	550,000	550,000
Provisions balance	739,851	711,576

* 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.

NOTE 14: CONVERTIBLE NOTES

	2023	Consolidated 2022
	\$	\$
Convertible notes	-	7,492,605
Interest payable on convertible notes	-	685,786
Convertible note balance	-	8,178,391

	Consolidated \$
Balance at beginning of the year	8,178,391
Cash received	-
Interest accrued	1,403,226
Converted to ordinary shares	(9,222,499)
Repayment of convertible notes	(301,529)
Taken to equity	(57,589)
Balance at end of the year	-

During the year ended 30 June 2023, the consolidated entity issued 2,136,523,934 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.

During the year, 11,179,052,026 notes were converted to shares, and 348,655,120 notes were repaid to investors upon maturity.

NOTE 14: CONVERTIBLE NOTES (CONTINUED)

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.

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	Maturity date
		\$	%	%	frequency	
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 11A	23/07/2021	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023
Tranche 11B*	23/07/2021	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023
Tranche 12A	01/04/2022	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023
Tranche 12B*	01/04/2022	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023
Tranche 13*	16/08/2022	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023
Tranche 14*	14/12/2022	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023
Tranche 15*	31/01/2023	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023
Tranche 16*	31/03/2023	\$0.0009	22.00%	15.00%	Half-yearly	31/03/2023

* Conversion of interest payable into new convertible notes.

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NOTE 15: SHARE CAPITAL

Movements in ordinary share capital

Details	Date	Shares	Issue Price	\$
Balance	1 July 2021	35,521,408,960		133,763,856
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)
Balance		45,296,039,002		141,761,435
Shares issued on conversion of convertible notes	8 July 2022	8,560,506	\$0.0009	7,704
Capital placement	15 July 2022	550,000,000	\$0.0008	440,000
Capital placement	26 July 2022	700,000,000	\$0.0008	560,000
Shares issued to Directors in lieu of fees	14 December 2022	99,999,000	\$0.0010	100,000
Shares issued on conversion of convertible notes	14 April 2023	11,170,491,519	\$0.0009	10,053,967
Capital raising costs		-	-	(92,194)
		57,825,090,027		152,830,912

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 16: RESERVES

	2023 \$	Consolidated 2022 \$
Convertible notes reserve		
Opening balance	804,409	1,155,250
Convertible notes issued	57,589	143,190
Reversal of equity on matured notes	-	(267,719)
Reversal of equity of repaid notes	(23,348)	-
Shares issued on conversion of convertible notes	(838,650)	(226,312)
Closing balance	-	804,409
Reserves balance	-	804,409

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 17: 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.

	2023	Consolidated
	\$	2022
	\$	\$
Loss for the year is attributable to:		
Non-controlling interest	(886)	(2,597)
Owners of Lakes Blue Energy NL	(3,027,407)	(14,242,307)
Basic loss per share (cents per share) attributed to owners of Lakes Blue Energy NL	(0.0062)	(0.0363)
Diluted loss per share (cents per share) attributed to owners of Lakes Blue Energy NL	(0.0062)	(0.0363)
Weighted average number of shares used for the purposes of calculating basic and diluted earnings per share:		
- Basic earnings per share	48,892,706,809	39,217,507,771
- Diluted earnings per share*	48,892,706,809	39,217,507,771

* There are no equity instruments on issue at 30 June 2023 that could be converted into ordinary shares. As a result, there are no convertible securities in place that are considered dilutive.

NOTE 18: 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.

NOTE 18: FINANCIAL INSTRUMENTS (CONTINUED)

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.

The consolidated entity is not currently exposed to any material fluctuations in market prices.

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.

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.

NOTE 18: FINANCIAL INSTRUMENTS (CONTINUED)

	Weighted average interest rate	Up to 12 months	Between 1 and 5 years	Over 5 years	Remaining contractual maturities
Consolidated – 2023					
Non-derivatives					
<i>Non-interest bearing</i>					
Trade and other payables		1,381,796	-	-	1,381,796
<i>Interest-bearing – fixed rate</i>					
Convertible notes payable	15%	-	-	-	-
Total non-derivatives		1,381,796	-	-	1,381,796

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

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:

	2023		2022	
	Carrying amount	Fair value	Carrying amount	Fair value
Assets				
Cash and cash equivalents	759,889	759,889	2,308,111	2,308,111
Trade and other receivables	191,443	191,443	123,370	123,370
Other financial assets	424,196	424,196	590,575	590,575
	1,375,528	1,375,528	3,022,056	3,022,056
Liabilities				
Trade and other payables	1,381,796	1,381,796	1,110,052	1,110,052
Convertible notes	-	-	8,178,391	8,178,391
	1,381,796	1,381,796	9,288,443	9,288,443

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NOTE 19: 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:

	2023	Consolidated 2022
	\$	\$
Short-term employee benefits	567,740	431,211
Post-employment benefits	25,292	21,969
Long-term benefits	26,283	4,894
Share-based payments	142,870	138,199
Total remuneration	762,185	596,273

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 20: AUDITOR REMUNERATION

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

	2023	Consolidated 2022
	\$	\$
William Buck	65,500	61,000
Total remuneration	65,500	61,000

NOTE 21: CONTINGENT LIABILITIES

The consolidated entity did not have any contingent liabilities as at 30 June 2023.

NOTE 22: COMMITMENTS

	2023	Consolidated 2022
	\$	\$
<i>Bank guarantees in relation to rental premises and exploration permits</i>		
Maximum amount bank may call	494,696	661,075
Total commitments	494,696	661,075

NOTE 22: 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 2023 on the work programs across all tenements for the next 24 months is \$245,000 (2022: \$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 23: 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:

	2023	Consolidated 2022
	\$	\$
Current		
Trade payables to key management personnel for Director fees and CEO fees	187,004	53,960
	187,004	53,960

Terms and conditions

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

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NOTE 24: PARENT ENTITY INFORMATION

	2023	Consolidated
	\$	2022
	\$	\$
Financial position		
Assets		
Current assets	4,212,361	5,596,049
Non-current assets	6,949,090	6,340,839
Total assets	11,161,451	11,936,888
Liabilities		
Current liabilities	1,526,410	9,134,264
Non-current liabilities	-	508,326
Total liabilities	1,526,410	9,642,590
Net assets/(net deficiency)	9,635,041	2,294,298
Equity		
Issued capital	152,551,105	141,481,628
Reserves	-	804,407
Accumulated losses	(142,916,064)	(139,991,737)
Total equity	9,635,041	2,294,298
Financial performance		
Profit/(loss) for the year	(2,947,675)	(12,356,400)
Other comprehensive loss	-	-
Total comprehensive profit/(loss)	(2,947,675)	(12,356,400)

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 2022 and 30 June 2023.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2023.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2022 and 30 June 2023.

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.

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NOTE 25: 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	
		2023 %	2022 %
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%	100%

NOTE 26: EVENTS AFTER THE REPORTING PERIOD

Since the end of the reporting period:

- a) On 5 September 2023, the Group released an entitlements offer prospectus, offering shares at an issue price of \$0.001 per share, with shareholders entitled to three new shares for every 100 shares presently held, with subscribers also receiving two bonus shares for every three shares subscribed for. The rights issue closed on 6 October 2023, with a total of \$363,480 subscribed.
- b) On 23 October 2023, the Group announced that binding terms have been agreed with Cooper Energy Limited (Cooper) for farmout to Cooper of an interest of 25.1% in Petroleum Exploration Permit 169 (PEP 169). Completion of the farmout is subject to completion of due diligence, finalisation of transaction agreements and receipt of requisite consents and approvals. Upon signing of the transaction documents, Cooper will make an upfront payment of \$1.2 million to Lakes Blue Energy, and will cover Lakes' share of the cost of drilling the Enterprise North-1 well up to an agreed maximum \$1.25 million cap.

NOTE 27: 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.

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NOTE 27: CASH FLOW INFORMATION (CONTINUED)

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:

	2023	Consolidated 2022
	\$	\$
Loss after income tax expense for the year	(3,028,293)	(14,219,904)
Add/(deduct): non-cash items:		
Depreciation and amortisation	3,125	3,990
Impairment expenses	41,718	11,529,794
Non-cash financing expenses	1,403,751	1,304,918
Other non-cash expenditure	100,000	238,549
Change in operating assets and liabilities:		
Decrease/(Increase) in receivables	(68,073)	44,933
(Increase) in other current assets	(43,404)	(6,383)
Increase/(Decrease) in trade and other payables	(39,337)	(332,578)
Increase in employee benefits	28,275	23,744
Net cash used in operating activities	(1,602,238)	(1,412,937)

NOTE 28: DIVIDENDS

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

Lakes Blue Energy NL
Directors' Declaration
For the year ended 30 June 2023

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 2023 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: 25 October 2023

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 2023, 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 2023 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 \$3,028,293 during the year ended 30 June 2023 and, as of that date, the Group's current liabilities exceeded its current assets by \$136,159. 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 Group'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 matter 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 and 11	How our audit addressed it
The Group has incurred exploration costs for its 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. An impairment review is only required if an impairment trigger is identified. Due to the nature of the oil and gas industry, indicators of impairment could include: — Changes to exploration plans; — Loss of rights to tenements; — Changes to reserve estimates; — Costs of extraction and production; or — Exchange rate factors. The accounting for this matter is complex and as such we have determined it a Key Audit Matter.	Our audit procedures included: — A review of the directors' assessment of the criteria for the capitalisation of exploration expenditure 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. We also assessed the adequacy of the Group's disclosures in respect of exploration costs in the financial report.

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 2023 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 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 2023.

In our opinion, the Remuneration Report of Lakes Blue Energy NL, for the year ended 30 June 2023, 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 Audit (Vic) Pty Ltd
ABN 59 116 151 136



A. A. Finnis
Director
Melbourne, 25 October 2023

Lakes Blue Energy NL
Additional information for listed public companies
For the year ended 30 June 2023

Additional information as at 20 October 2023 required by the Australian Securities Exchange and not disclosed elsewhere in this report.

Home Exchange

The Company is listed on the Australian Securities Exchange (ASX:LKO). The Home Exchange is Sydney.

Ordinary shares

As at 20 November 2023, the issued capital comprised of 58,430,889,725 fully paid ordinary shares (ASX code: LKO) held by 13,315 holders.

Unmarketable Parcels

There were 889,429,844 shares held in unmarketable parcels of \$500 or less based on the last closing price of \$0.001, held by 7,354 individual shareholders.

Distribution of shareholders

The distribution of each class of equity was as follows:

Range	Total holders	Units	% Units
1 - 1,000	341	104,840	0.00
1,001 - 5,000	234	737,018	0.00
5,001 - 10,000	402	3,497,363	0.01
10,001 - 100,000	3,413	171,290,891	0.29
100,001 - 500,000	3,483	973,299,732	1.67
500,001 - 1,000,000	1,807	1,448,683,415	2.48
1,000,001 - 5,000,000	2,658	6,213,724,261	10.63
5,000,001 Over	977	49,619,552,205	84.92
Total	13,315	58,430,889,725	100.00

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 October 2023, the Company has 99,999,000 fully paid ordinary shares on issue subject to voluntary restriction until 13 December 2023.

Substantial shareholdings

As at 20 October 2023, the Company has the following Substantial Shareholders:

Rank	Name	Number of ordinary shares held	Percentage
1	DARK HORSE RESOURCES LIMITED	9,883,714,010	16.92
2	TENSTAR TRADING LIMITED	5,233,109,308	8.96
3	DGR GLOBAL LIMITED	3,748,698,506	6.42

Lakes Blue Energy NL
Additional information for listed public companies
For the year ended 30 June 2023

Twenty Largest Shareholders

At 20 October 2023, the twenty largest shareholders held 52.48% of the fully paid ordinary shares as follows:

No.	Name	Units	% Units
1	DARK HORSE RESOURCES LIMITED	9,883,714,010	16.92
2	TENSTAR TRADING LIMITED	5,233,109,308	8.96
3	DGR GLOBAL LIMITED	3,748,698,506	6.42
4	TIMEVIEW ENTERPRISES PTY LTD	2,720,821,462	4.66
5	ACUITY CAPITAL INVESTMENT MANAGEMENT PTY LTD	1,730,000,000	2.96
6	SAMUEL CAPITAL PTY LTD	1,010,857,899	1.73
7	MRS CAROLINE PATRICIA SLEEMAN + MR ROLAND KINGSBURY SLEEMAN	789,130,030	1.35
8	GASHUNTER PTY LTD	782,384,009	1.34
9	MR ROLAND KINGSBURY SLEEMAN	767,167,426	1.31
10	MR DUNCAN JOHN HARDIE	589,295,260	1.01
11	DYMAX CONSULTANTS PTY LTD	445,788,286	0.76
12	BAM OPPORTUNITIES FUND PTY LTD	407,844,537	0.70
13	SARI HOLDINGS PTY LTD	401,038,976	0.69
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	380,317,653	0.65
15	MR WILLIAM RICHARD TREUREN	359,289,500	0.61
16	MR CRAIG JACKSON + MRS ILLIANA RINA JACKSON	325,000,000	0.56
17	MR DUNCAN JOHN HARDIE	315,595,620	0.54
18	MR ALLISTER RICHARDSON	269,197,895	0.46
19	PACIFIC ATLANTIC COMMERCE PTY LTD	254,625,000	0.44
20	CITICORP NOMINEES PTY LIMITED	251,873,169	0.43
Top 20 holders (Total)		30,665,748,546	52.48
Total Remaining Holders Balance		27,765,141,179	47.52

Lakes Blue Energy NL
Additional information for listed public companies
For the year ended 30 June 2023

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 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
PRL 249**	Otway	50.00
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.