

3 September 2024

ASX Release

Sale Agreement Executed, Paving the Way for Wombat Commercialisation

Highlights:

- *Asset Sale and Purchase Agreement, for sale of Lakes' 49% interest in Petroleum Exploration Permit 169, has been executed.*
- *First \$3.0m payment to be received shortly. Further \$3.5m receivable when title transfer is registered.*
- *With funding now in place, Lakes will accelerate work to commercialise the Wombat project.*

Lakes Blue Energy NL (**Lakes**, or the **Company**; ASX:LKO) Directors Richard Ash and Roland Sleeman (**Lakes**, or the **Company**; ASX:LKO) are pleased to announce that an Asset Sale and Purchase Agreement (**ASPA**), the overriding document to implement the sale of Lakes' 49% interest in Victorian Petroleum Exploration Permit 169 (**PEP 169**), as announced on 27 June 2024, has now been executed. Director Nicholas Mather, who presented an alternative financing strategy, did not support completion of the ASPA.

Key terms of the ASPA, and other documents to be executed at Completion, are set out in the Annexure hereto. Consideration for the sale comprises:

- A\$3.0 million cash, to be received on Completion, being when approval is issued for a one-year extension of the term of PEP 169. The extension of term, necessitated by protracted negotiations to secure access for drilling of the Enterprise North-1 well in PEP 169 was applied for on 30 June 2024 and is expected to be issued shortly;
- A further A\$3.5m, to be received following registration of the transfer to ADZ Energy Pty Ltd of ownership of PEP 169. Transfer documentation will be lodged on or before Completion; and
- a future royalty on net (wellhead) revenue from any sales of petroleum from ADZ's existing 51% share of PEP 169.

Proceeds from the sale of the 49% interest in PEP 169 will be prioritised for use in commercialisation of the large Wombat and Trifon/Gangell gasfields in Gippsland. Work to secure approval for drilling of the conventional Wombat-5 well is already under way. This includes updating of Cultural Heritage surveys, preparation of a new Environmental Management Plan and comprehensive Stakeholder Consultation. A detailed Notice of Operation was provided to all identified Stakeholders on 30 August 2024, and is available for review on Lakes' website.

The Wombat-5 well is targeted for drilling in the second quarter of 2025.

This announcement has been authorised and approved by the Board of Lakes Blue Energy NL for lodgement with ASX.

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Annexure – Key Terms of Transaction Documentation

The transaction documentation package comprises four agreements, as follow :

Asset Sale and Purchase Agreement ('ASPA')

- Lakes wholly owned subsidiary, Mirboo Ridge Pty Ltd ('Mirboo') agrees to sell and Armour Energy (Victoria) Pty Ltd ('AEV') agrees to buy Mirboo's 49% interest in PEP 169
- Mirboo's obligations are guaranteed by Lakes Blue Energy NL.
- A 5% Deposit (being \$340,000) is paid into trust by AEV on signing of the ASPA, and AEV assumes the role of Operator of PEP 169.
- On granting of a one-year extension of the term of PEP 169 a Completion Amount of \$2.66m is paid by AEV to Mirboo and the Deposit is released to Mirboo.
- On registration of transfer of PEP 169 title to AEV a Deferred Payment Amount of \$3.5m is paid by AEV to Mirboo. However, if the registration of transfer of title is not completed by 30 November 2024 and AEV has a valid belief that registration will not take place then AEV can terminate the ASPA, in which case funds received by Mirboo are to be returned to AEV.
- If AEV does not terminate by 31 December 2024 then the Deferred Payment Amount will be paid to Mirboo and Mirboo will hold its 49% interest in PEP 169 on trust for AEV until such time as the title transfer is registered.
- Other routine provisions, including warranties and indemnities, are included.

Deed of Assignment and Assumption

- AEV assumes responsibility for payment of existing 12% overriding royalty (in respect of 49% interest in PEP 169) to Geothermal Energy Victoria Pty Ltd.
- AEV's obligations are guaranteed by ADZ.

Royalty Deed

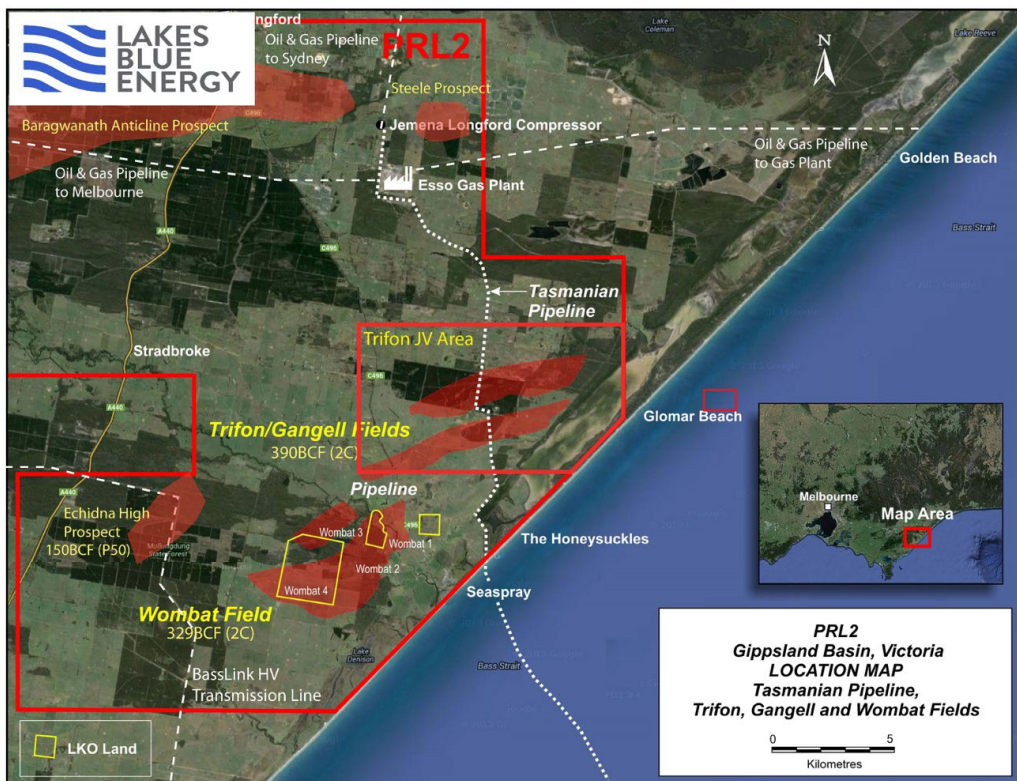
- AEV commits to pay 6% overriding royalty to Mirboo in respect of 51% interest in PEP 169, with such commitment guaranteed by ADZ.

Deed of Termination and Release

- The existing Joint Venture Agreement between Mirboo and AEV, governing operations of PEP 169, is cancelled as it is no longer required.

Wombat Gasfield - Background Information

The 100% Company owned Wombat Gas Field is located within Petroleum Retention Lease 2 (PRL 2), as illustrated in the following figure, together with the 100% Company owned Trifon/Gangell Gas Field.



Together, the Wombat and Trifon/Gangell Gas Fields contain independently estimated contingent (2C) gas resources totalling 719 Billion cubic feet (Bcf), of which it is expected around 450 Bcf will be recoverable by conventional means. This is significantly (an order of magnitude) more than is prognosed for the Enterprise North Prospect within PEP 169.

The Company envisages an integrated approach to development of the Wombat and Trifon/Gangell Gas Fields. Sales gas production would initially be from the Wombat Gas Field with the Trifon/Gangell Gas Field developed to support steady gas sales over a 20-year period. On this basis, the estimated conventional sales gas potential of the fields is at least 20 PJ/a, representing 10% of Victorian gas demand.

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