

Lakes Blue Energy NL (formerly Lakes Oil NL)

ABN 62 004 247 214

Interim Report - 31 December 2020

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Lakes Blue Energy NL (formerly Lakes Oil NL)
Corporate directory
31 December 2020



Directors	Richard Ash (Non-Executive Chairman) Roland Sleeman (Executive Director) Nicholas Mather (Non-Executive Director)
Chief Executive Officer	Roland Sleeman
Company secretary	Elissa Hansen
Registered office	Level 3 35 Lime Street Sydney 2000
Telephone	(03) 9629 1566
Share registry	Computershare Investor Services Pty. Ltd. Yarra Falls 452 Johnston Street Abbotsford Victoria 3067
Telephone	1300 850 505
Auditor	William Buck Level 20 181 William Street Melbourne VIC 3000
Bankers	Westpac Banking Corporation 360 Collins Street Melbourne Victoria 3000
Stock exchange listing	Lakes Blue Energy NL shares are listed on the Australian Securities Exchange (ASX code: LKO)
Website	www.lakesoil.net.au

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 (formerly Lakes Oil NL) (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 31 December 2020.

Directors

The following persons were directors of Lakes Blue Energy NL (formerly Lakes Oil NL) during the whole of the financial period and up to the date of this report, unless otherwise stated:

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 \$1,359,350 (31 December 2019: profit of \$247,584).

Total income during the period amounted to \$77,182 (2019: \$1,818,778) which included government grants of \$76,391 (2019: \$1,726,000 and other income of \$92,778).

Operating expenses for the period were \$1,436,532 (2019: \$1,576,328). Administration expenses amounted to \$430,694 (2019: \$1,024,629) resulting from continuing operations. Employee benefit expenses amounted to \$134,897 (2019: \$214,508). Finance costs amounted to \$644,904 (2019: \$50,206), largely represent the interest expenses on convertible notes during the period.

Financial Position

The net assets of the consolidated entity decreased by \$728,701 to \$15,639,596 as at 31 December 2020 (30 June 2020: \$16,368,297). The consolidated entity's working capital deficit, being current assets less current liabilities was \$7,917,066 at 31 December 2020 (30 June 2020: \$2,964,168), largely due to the convertible notes being classified as current liabilities. During the period the consolidated entity had a negative cash flow from operating activities of \$1,041,640 (2019: \$464,646).

Significant changes in the state of affairs

On 13 July 2020, the consolidated entity issued tranche five of the Convertible Notes issuing 540,000,000 at an issue price of \$0.0009 (0.09 cents) per note raising a total of \$486,000 (before costs).

On 14 October 2020, the consolidated entity issued 269,636,381 unlisted Convertible Redeemable Notes at an issue price of \$0.0009 (0.09 cents) per note to the existing holders of the Notes for settlement of interest payable as at 31 December 2020. On this day the consolidated entity also issued 206,804,710 unlisted Convertible Notes at an issue price of \$0.0009 (0.09 cents) per note in satisfaction of outstanding Director and CEO fees for services as approved by the shareholders in the General Meeting held on 22 September 2020.

On 14 October 2020, the consolidated entity issued 8,333,340 fully paid ordinary shares to Directors in lieu of outstanding Directors fees as approved by shareholders a General Meeting held on 22 September 2020.

On 22 December 2020, the consolidated entity announced that it had issued a total of 2,282,500,000 Unlisted Convertible Notes at an issue price of \$0.0009 (0.09 cents) per note raising a total of \$2,075,000 (before costs).

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

Matters subsequent to the end of the financial period

On 18 February 2021, the consolidated entity issued 419,448,277 unlisted Convertible Redeemable Notes at an issue price of \$0.0009 (0.09 cents) per note to the existing holders of the Notes for settlement of interest payable as at 31 December 2020.

On 26 March 2021, the consolidated entity announced that it had changed its name as approved by shareholders to Lakes Blue Energy NL.

On 14 April 2021, the consolidated entity issued 114,322,479 fully paid ordinary shares to Directors in lieu of outstanding Directors fees as approved by shareholders its Annual General Meeting held on 23 March 2021.

Also on this date, the consolidated entity issued a total of 1,181,990,767 unlisted Convertible Redeemable Notes at an issue price of \$0.0009 (0.09 cents) per note to Director related entities as approved by shareholders its Annual General Meeting held on 23 March 2021 as settlement for funds advanced to the Company.

On 23 April 2021, the consolidated entity announced that it had successfully extended the maturity date of the unlisted Convertible Redeemable Notes (excluding those held by directors and directors related entities) from 31 December 2021 to 31 March 2023.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Richard Ash
Non-Executive Chairman

26 May 2021

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2020 there have been:

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

William Buck

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

Alan Finnis

A. A. Finnis
Director

Melbourne, 26 May 2021

ACCOUNTANTS & ADVISORS

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Lakes Blue Energy NL (formerly Lakes Oil NL)
Condensed statement of profit or loss and other comprehensive income
For the period ended 31 December 2020



		Consolidated	
	Note	31 December 2020	31 December 2019
		\$	\$
Interest and other income			
Interest income		791	4,254
Other income	4	<u>76,391</u>	<u>1,814,524</u>
		77,182	1,818,778
Expenses			
Employee benefits expense		(134,897)	(214,508)
Depreciation expenses		(2,594)	(7,077)
Profit on disposal of assets		-	101,536
Impairment loss on exploration and evaluation assets	5	-	(71,802)
Accounting and audit expenses		(31,000)	(54,638)
Administrative expenses		(430,694)	(1,024,629)
Consulting expenses		(113,950)	(156,312)
Finance costs		(644,904)	(50,206)
Marketing and promotion expenses		-	(29,794)
Rent and occupancy expenses		(25,118)	(14,189)
R&D tax incentive payable		<u>(53,375)</u>	<u>(54,709)</u>
Profit/(loss) before income tax expense		(1,359,350)	242,450
Income tax expense		-	-
Profit/(loss) after income tax expense for the period		(1,359,350)	242,450
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income for the period		<u>(1,359,350)</u>	<u>242,450</u>
Profit/(loss) for the period is attributable to:			
Non-controlling interest		-	(5,134)
Owners of Lakes Blue Energy NL (formerly Lakes Oil NL)		<u>(1,359,350)</u>	<u>247,584</u>
		<u>(1,359,350)</u>	<u>242,450</u>
Total comprehensive income for the period is attributable to:			
Non-controlling interest		-	(5,134)
Owners of Lakes Blue Energy NL (formerly Lakes Oil NL)		<u>(1,359,350)</u>	<u>247,584</u>
		<u>(1,359,350)</u>	<u>242,450</u>
		Cents	Cents
Basic earnings per share	13	(0.0040)	0.0007
Diluted earnings per share	13	(0.0040)	0.0007

The above condensed statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Lakes Blue Energy NL (formerly Lakes Oil NL)
Condensed statement of financial position
As at 31 December 2020



	Consolidated	
	31 December	30 June 2020
Note	2020	2020
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	1,844,127	630,791
Trade and other receivables	165,727	121,220
Other financial assets	349,583	365,939
Prepayments	5,384	150
Total current assets	<u>2,364,821</u>	<u>1,118,100</u>
Non-current assets		
Other receivables	12,000	12,000
Property plant and equipment	690,526	693,471
Exploration and evaluation	5 23,404,136	23,009,426
Total non-current assets	<u>24,106,662</u>	<u>23,714,897</u>
Total assets	<u>26,471,483</u>	<u>24,832,997</u>
Liabilities		
Current liabilities		
Trade and other payables	2,670,771	2,929,734
Borrowings	515,000	543,995
Provisions	137,152	122,539
Convertible notes	6 6,438,512	-
Other current liabilities	520,452	486,000
Total current liabilities	<u>10,281,887</u>	<u>4,082,268</u>
Non-current liabilities		
Provisions	550,000	550,000
Convertible notes	7 -	3,832,432
Total non-current liabilities	<u>550,000</u>	<u>4,382,432</u>
Total liabilities	<u>10,831,887</u>	<u>8,464,700</u>
Net assets	<u>15,639,596</u>	<u>16,368,297</u>
Equity		
Share capital - ordinary shares	8 133,649,532	133,641,199
Reserves	9 1,101,518	479,202
Accumulated losses	(119,201,820)	(117,842,470)
Equity attributable to the owners of Lakes Blue Energy NL (formerly Lakes Oil NL)	15,549,230	16,277,931
Non-controlling interest	90,366	90,366
Total equity	<u>15,639,596</u>	<u>16,368,297</u>

The above condensed statement of financial position should be read in conjunction with the accompanying notes

Lakes Blue Energy NL (formerly Lakes Oil NL)
Condensed statement of changes in equity
For the period ended 31 December 2020



	Contributed equity \$	Convertible notes reserve \$	Share based payment reserve \$	Accumulated losses \$	Non Controlling Interest \$	Total equity \$
Consolidated						
Balance at 1 July 2019	133,389,920	-	23,666	(117,222,951)	95,500	16,286,135
Profit/(loss) after income tax expense for the period	-	-	-	247,584	(5,134)	242,450
Other comprehensive income for the period, net of tax	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	247,584	(5,134)	242,450
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs	34,611	-	-	-	-	34,611
Share-based payments	-	-	74,600	-	-	74,600
Convertible notes	-	149,034	-	-	-	149,034
Balance at 31 December 2019	<u>133,424,531</u>	<u>149,034</u>	<u>98,266</u>	<u>(116,975,367)</u>	<u>90,366</u>	<u>16,786,830</u>
Consolidated						
Balance at 1 July 2020	133,641,199	380,936	98,266	(117,842,470)	90,366	16,368,297
Loss after income tax expense for the period	-	-	-	(1,359,350)	-	(1,359,350)
Other comprehensive income for the period, net of tax	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	(1,359,350)	-	(1,359,350)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity	8,333	-	-	-	-	8,333
Convertible notes (note 6)	-	622,316	-	-	-	622,316
Balance at 31 December 2020	<u>133,649,532</u>	<u>1,003,252</u>	<u>98,266</u>	<u>(119,201,820)</u>	<u>90,366</u>	<u>15,639,596</u>

The above condensed statement of changes in equity should be read in conjunction with the accompanying notes

Lakes Blue Energy NL (formerly Lakes Oil NL)
Condensed statement of cash flows
For the period ended 31 December 2020



	Consolidated	
	31 December 2020	31 December 2019
	\$	\$
Cash flows from operating activities		
Receipts from customers	-	5,250
Payments to suppliers and employees	(1,042,033)	(473,652)
Interest received	393	3,756
	<u>(1,041,640)</u>	<u>(464,646)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Payments for exploration and evaluation costs	(254,415)	(2,950,188)
Proceeds from disposal of property	-	364,582
	<u>(254,415)</u>	<u>(2,585,606)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from issue of convertible notes	2,075,000	1,540,000
Advances received for convertible notes	500,000	515,000
Interest and other finance costs paid	(65,609)	-
	<u>2,509,391</u>	<u>2,055,000</u>
Net cash from financing activities		
Net increase/(decrease) in cash and cash equivalents	1,213,336	(995,252)
Cash and cash equivalents at the beginning of the financial period	630,791	2,468,897
	<u>1,844,127</u>	<u>1,473,645</u>
Cash and cash equivalents at the end of the financial period		

The above condensed statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The consolidated financial statements cover Lakes Blue Energy NL (formerly Lakes Oil NL) as a consolidated entity consisting of Lakes Blue Energy NL (formerly Lakes Oil NL) and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Lakes Blue Energy NL (formerly Lakes Oil NL)'s functional and presentation currency.

Lakes Blue Energy NL (formerly Lakes Oil NL) is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 3
35 Lime Street,
Sydney 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 May 2021.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Rounding of amounts to the nearest dollar

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the consolidated financial report have been rounded to the nearest dollar.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Note 2. Significant accounting policies (continued)

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 generated a net loss after income tax expense and non-controlling interest for the period ended 31 December 2020 of \$1,359,350 (2019: profit of \$242,450) and at reporting date has net assets of \$15,639,596 (30 June 2020: \$16,368,297) including \$23,404,136 (30 June 2020: \$23,009,426) of capitalised exploration, evaluation and development costs. The consolidated entity's working capital deficit, being current assets less current liabilities was \$7,917,066 at 31 December 2020 (30 June 2020: \$2,964,168).

The consolidated entity has prepared a detailed cash flow forecast which includes the assumption of capital raisings to the minimum amount of \$3 million which is anticipated to occur within five months to cover working capital requirements. On 23 April 2021, the consolidated entity had successfully extended the maturity date of the unlisted Convertible Redeemable Notes amounting to \$7,139,426 (excluding those held by directors and directors related entities and including those issued after 31 December 2020) from 31 December 2021 to 31 March 2023.

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

Subsequent to the end of the financial year the consolidated entity has progressed plans to raise required capital. On the basis of the disclosures above a material uncertainty exists for the consolidated entity to continue as a going concern.

If the actual outcomes differ significantly from the cash flow forecast estimates made and the consolidated entity has additional cash requirements, the consolidated entity may need to take one or more of the following measures when necessary:

- Raise additional capital. The consolidated entity has demonstrated its ability to raise capital during the year and the Directors are confident that a future capital raising would be successful;
- Obtain letter of support from convertible notes holders, indicating their intention to convert subject to the consolidated entity resumes trading;
- Sale or mortgage of property;
- Continue to reduce corporate overhead costs;
- Continue to pursue opportunities to farm-out part of the consolidated entity's exploration interests, however at the date of this report no agreements have been signed.

On this basis no adjustments have made to the financial report relating to the recoverability and classification of the carrying amount of the assets or the amount and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern. Accordingly, the financial report has been prepared on a going concern basis.

If the going concern basis of accounting is found to be no longer appropriate, the recoverable amounts of the assets shown on the consolidated statement of financial position sheet are likely to be significantly less than the amounts disclosed and the extent of the liabilities may differ significantly, from those reflected.

Note 3. Operating segments

Identification of reportable operating segments

During the period the consolidated entity operated in one segment being an explorer of oil and gas.

AASB 8 requires operating segments to be identified on the basis of internal reports about the components of the consolidated entity that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. During the period the board reviews the consolidated entity as one operating segment being oil and gas exploration.

Note 4. Other income

	Consolidated	
	31 December 2020	31 December 2019
	\$	\$
Government grants	76,391	1,726,000
Other income	-	88,524
	<u>76,391</u>	<u>1,814,524</u>

Note 5. Non-current assets - exploration and evaluation

	Consolidated	
	31 December 2020	30 June 2020
	\$	\$
Exploration and evaluation	75,360,647	74,965,937
Less: Provision for impairment	(51,956,511)	(51,956,511)
	<u>23,404,136</u>	<u>23,009,426</u>

Reconciliations

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

Consolidated	Exploration and evaluation \$
Balance at 1 July 2020	23,009,426
Additions	<u>394,710</u>
Balance at 31 December 2020	<u>23,404,136</u>

Exploration expenditure during the period include geochemical surveys, drill planning and other qualifying expenses incurred in relation to the following tenements:

- ATP 1183 – Surat Basin, Qld (Lakes Oil: Operator, 100% interest)
- ATP 642P – Eromanga Basin, Qld (Lakes Oil: Operator, 100% interest)
- ATP 662P – Eromanga Basin, Qld (Lakes Oil: Operator, 100% interest)
- PEL 155 – Otway Basin, S.A. (Lakes Oil: Operator, 46.75% interest)

The Company has carried out an impairment review of the carrying amount of its exploration expenditure following the end of the financial half-year and recognised impairment losses of NIL (2019: \$71,802).

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.

Note 6. Current liabilities - Convertible notes

	Consolidated	
	31 December 2020	30 June 2020
	\$	\$
Convertible notes - current	5,965,545	-
Interest payable on convertible notes	472,967	-
	<u>6,438,512</u>	<u>-</u>

Reconciliation

Reconciliation of the fair values at the beginning and end of the current and previous financial period are set out below:

Opening balance	3,832,432	-
Convertible notes issued during the period / year	2,989,797	3,979,000
Equity component of Convertible notes recognised	(622,316)	(380,936)
Interest expenses recognised at effective interest rate	238,599	234,368
	<u>6,438,512</u>	<u>3,832,432</u>

\$3,979,000 convertible note placement arrangement (including equity component of \$380,936)

During the year ended 30 June 2020, the consolidated entity issued 4,421,111,113 convertible notes ("June 2020 Convertible Notes") in four tranches to sophisticated investors, raising \$3,979,000 before cost, as follows:

Tranche 1 - 666,666,668 convertible notes was issued on 12 December 2019, raising \$600,000,
Tranche 2 - 1,044,444,445 notes was issued on 27 December 2019, raising \$940,000,
Tranche 3 - 954,444,444 notes was issued 2 March 2020, raising \$859,000; and
Tranche 4 - 1,755,555,556 notes was issued on 18 March 2020, raising \$1,580,000.

The primary terms of the convertible note are:

Interest: 15% pa - payable half yearly in arrears

Maturity date: 31 December 2021

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

\$2,989,797 convertible note placement arrangement (including equity component of \$622,316)

During the period ended 31 December 2020, the consolidated entity issued 3,298,941,091 convertible notes ("December 2020 Convertible Notes") in three tranches as follows;

Tranche 5 - 540,000,000 notes was issued on 13 July 2020, raising \$486,000 before cost.
Tranche 6 - 476,441,091 convertible notes were issued to settle liabilities amounting to \$428,797 to directors and interest on June 2020 Convertible Notes; and
Tranche 7 - 2,282,500,000 convertible notes were issued to sophisticated investors, raising \$2,075,000 before cost.

The primary terms of the convertible note are:

Face value: \$2,989,797 (\$0.0009 per note)

Interest: 15% pa - payable half yearly in arrears Maturity date: 31 December 2021

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 period ended 31 December 2020, \$234,368 interest accrued up to and at 30 June 2020 were settled by issuing additional in convertible notes to the holders following shareholders' approval on 22 September 2020.

Note 6. Current liabilities - Convertible notes (continued)

Valuation methodology

The value of a Convertible Note that meets the 'fixed-for-fixed' test of AASB 132 Financial instrument presentation due to its fixed conversion price attached to the Note, is calculated by firstly determining the fair value of the liability component i.e. the stream of contractual cashflows received over the life of the Note discounted at a rate applicable to an identical debt instrument with no conversion feature.

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 frequency	Maturity date
Tranche 1	12/12/2019	0.0009	22.00%	15.00%	Half-yearly	31/12/2021
Tranche 2	27/12/2019	0.0009	22.00%	15.00%	Half-yearly	31/12/2021
Tranche 3	02/03/2020	0.0009	22.00%	15.00%	Half-yearly	31/12/2021
Tranche 4	18/03/2020	0.0009	22.00%	15.00%	Half-yearly	31/12/2021
Tranche 5	13/07/2020	0.0009	22.00%	15.00%	Half-yearly	31/12/2021
Tranche 6	09/10/2020	0.0009	22.00%	15.00%	Half-yearly	31/12/2021
Tranche 7	22/12/2020	0.0009	22.00%	15.00%	Half-yearly	31/12/2021

Note 7. Non-current liabilities - Convertible notes

	Consolidated 31 December	
	2020 \$	30 June 2020 \$
Convertible notes	-	3,598,064
Interest payable on convertible notes	-	234,368
	-	<u>3,832,432</u>

Note 8. Equity - Share capital - ordinary shares

	Consolidated			
	31 December 2020 Shares	30 June 2020 Shares	31 December 2020 \$	30 June 2020 \$
Ordinary shares - fully paid	<u>33,677,086,481</u>	<u>33,668,753,141</u>	<u>133,649,532</u>	<u>133,641,199</u>

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2020	33,668,753,141	133,641,199
Shares issued to Directors in lieu of fees	14 October 2020	<u>8,333,340</u>	<u>\$0.0010</u> 8,333
Balance	31 December 2020	<u>33,677,086,481</u>	<u>133,649,532</u>

Note 9. Equity - reserves

	Consolidated	
	31 December 2020	30 June 2020
	\$	\$
Share-based payments reserve	98,266	98,266
Convertible notes reserve	1,003,252	380,936
	<u>1,101,518</u>	<u>479,202</u>

Share-based payments reserve

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

Convertible note reserve

This reserve used to recognise equity component of the convertible notes, 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. Refer note 6 for further information on convertible notes.

Movements in reserves

Movements in each class of reserve during the current financial period are set out below:

Consolidated	Share-based payments reserve \$	Convertible notes reserve \$	Total \$
Balance at 1 July 2020	98,266	380,936	479,202
Equity component of Convertible notes issued	-	622,316	622,316
Balance at 31 December 2020	<u>98,266</u>	<u>1,003,252</u>	<u>1,101,518</u>

Note 10. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial period.

Note 11. Contingent liabilities

The consolidated entity had litigation against the Minster for Energy & Resources (Victoria) in relation to the moratorium on petroleum exploration in place in that State (the Moratorium litigation) during 2020 financial year.

On 17 December 2019, the consolidated entity announced that the appeal against the decision had not successful. Costs in relation to the matter have been awarded in favour of the Minster for Energy & Resources (Victoria). The consolidated entity is liable to pay a portion of the Victorian Attorney General's Department costs, which are yet to be quantified. The consolidated entity continued to carry the accrued cost of \$260,079 in relation to this matter, however, the actual costs could be greater than the accrued costs. Therefore, there may be a contingent liability in respect of those additional costs.

Note 12. Events after the reporting period

On 18 February 2021, the consolidated entity issued 419,448,277 unlisted Convertible Redeemable Notes at an issue price of \$0.0009 (0.09 cents) per note to the existing holders of the Notes for settlement of interest payable as at 31 December 2020.

On 26 March 2021, the consolidated entity announced that it had changed its name as approved by shareholders to Lakes Blue Energy NL.

Note 12. Events after the reporting period (continued)

On 14 April 2021, the consolidated entity issued 114,322,479 fully paid ordinary shares to Directors in lieu of outstanding Directors fees as approved by shareholders its Annual General Meeting held on 23 March 2021.

Also on this date, the consolidated entity issued a total of 1,181,990,767 unlisted Convertible Redeemable Notes at an issue price of \$0.0009 (0.09 cents) per note to Director related entities as approved by shareholders its Annual General Meeting held on 23 March 2021 as settlement for funds advanced to the Company.

On 23 April 2021, the consolidated entity announced that it had successfully extended the maturity date of the unlisted Convertible Redeemable Notes (excluding those held by directors and directors related entities) from 31 December 2021 to 31 March 2023.

No other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 13. Earnings / (loss) per share

	Consolidated	
	31 December 2020	31 December 2019
	\$	\$
Profit/(loss) after income tax	(1,359,350)	242,450
Non-controlling interest	-	5,134
	<u>(1,359,350)</u>	<u>247,584</u>
Profit/(loss) after income tax attributable to the owners of Lakes Blue Energy NL (formerly Lakes Oil NL)		
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	33,672,331,042	33,372,048,033
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	30,308,000
Performance rights	-	752,876,031
Convertible notes	-	91,545,894
	<u>33,672,331,042</u>	<u>34,246,777,958</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share		
	Cents	Cents
Basic earnings per share	(0.0040)	0.0007
Diluted earnings per share	(0.0040)	0.0007

Convertible notes and options are included in both basic and diluted earnings per share only when, their conversion to ordinary shares would decrease earnings per share or increase loss per share from continuing operations. Accordingly, convertible notes and options are excluded from the diluted earnings per share calculations for the period ended 31 December 2020, as the consolidated entity made a loss for the period.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "Richard Ash", written over a horizontal line.

Richard Ash
Non-Executive Chairman

26 May 2021

Lakes Blue Energy NL (formerly Lakes Oil NL)

Independent auditor's review report

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Lakes Blue Energy NL (formerly Lakes Oil NL) (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lakes Blue Energy NL (formerly Lakes Oil NL) is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the consolidated entity incurred a net loss of \$1,359,350 during the half-year ended 31 December 2020 and, as of that date, the consolidated entity's current liabilities exceeded its current assets by \$7,917,066. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the consolidated entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

ACCOUNTANTS & ADVISORS

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Responsibility of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

A handwritten signature in blue ink that reads 'William Buck'.

William Buck Audit (Vic) Pty Ltd

ABN 59 116 151 136

A handwritten signature in blue ink that reads 'Alan Finniss'.

A. A. Finniss

Director

Melbourne, 26 May 2021