

Lakes Blue Energy NL
ABN 62 004 247 214



Half Year Report
For the 6 Months Ended 31 December 2022

LAKES BLUE ENERGY NL
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FOR THE HALF YEAR ENDED 31 DECEMBER 2022

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LAKES BLUE ENERGY NL
CORPORATE DIRECTORY
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

DIRECTORS

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

CHIEF EXECUTIVE OFFICER

Roland Sleeman

COMPANY SECRETARY

Elissa Hansen

REGISTERED OFFICE

24-26 Kent Street
Millers Point NSW 2000
T: (03) 9629 1566
W: www.lakesoil.net.au

AUDITORS

William Buck
Level 20
181 William Street
Melbourne VIC 3000

SHARE REGISTRY

Computershare Investor Services Pty Ltd
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067
T: (03) 9415 4000

STOCK EXCHANGE LISTING

Australian Securities Exchange
(Home Exchange: Sydney, NSW)
ASX Code: LKO

BANK

Westpac Banking Corporation
360 Collins Street
Melbourne VIC 3000

LAKES BLUE ENERGY NL
OPERATIONS UPDATE
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

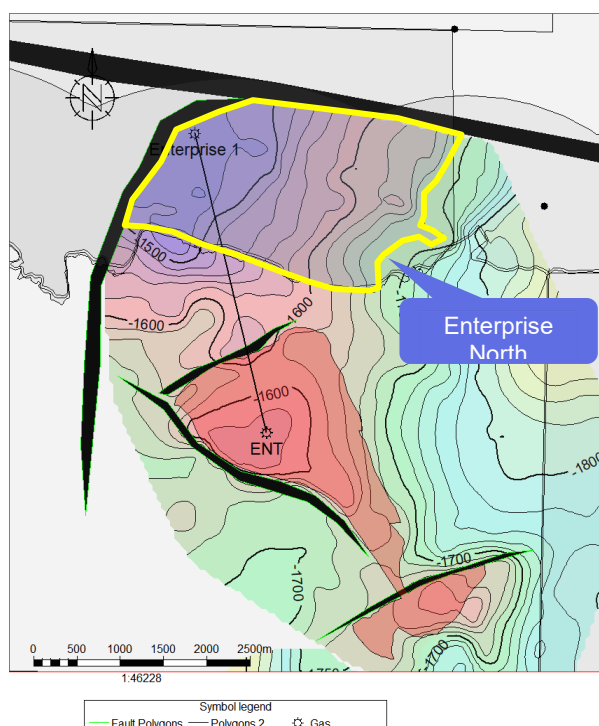
Victorian Exploration

Lakes Blue Energy is working to secure approvals to drill its conventional onshore wells within both Gippsland and the Otway Basin projects.

The Enterprise North Prospect (LKO: 49%; AJQ: 51%) has become a priority for the Company since it was identified in early-2022, following review of merged transitional 3D seismic data, calibrated to known offshore gas fields. The Enterprise North Prospect is prognosed to:

- cover 1,170 acres;
- have 115 metres thickness of Waarre Sandstone reservoir formation 'filled to spill'; and
- contain up to 419 Bcf of gas (209 Bcf net to LKO), of which up to 194 Bcf should be recoverable.

Figure 1: Enterprise North Prospect



The Enterprise North Prospect has potential to be the biggest ever gas discovery onshore in Victoria, the previous biggest being the Iona gasfield which contained approximately 23 Bcf of recoverable gas. All prerequisites for securing approval to drill the conventional Enterprise North-1 well are being progressed, with the objective of securing drilling approval at the earliest possible opportunity.

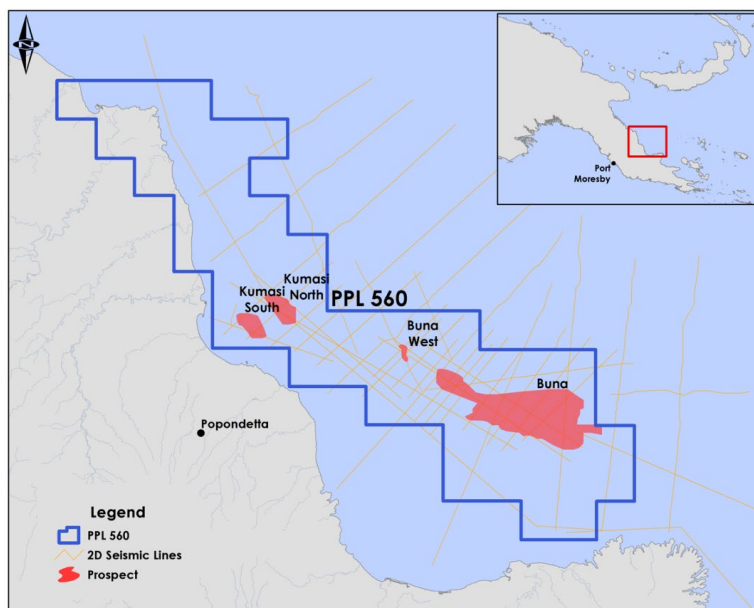
Development of Enterprise North for production of gas will be straightforward, given the Prospect's onshore location. Introduction of Enterprise North gas to the Victorian market place will significantly ease present gas supply shortfalls and, in doing so, help to reduce the cost of gas to industry and households alike.

Papua New Guinea

The Company has control of a portfolio of highly prospective exploration acreage in Papua New Guinea. One key tenement is Petroleum Prospecting Licence (PPL) 560, which contains the multi-trillion cubic feet Buna prospect.

**LAKES BLUE ENERGY NL
OPERATIONS UPDATE
FOR THE HALF YEAR ENDED 31 DECEMBER 2022**

Figure 2: PPL 560, PNG



Over the period September to October 2022, the Company carried out an outcrop rock and fluid sampling program within PPL 560, thereby completing the first step of the Company's Technical Cooperation Agreement (**TCA**) with TotalEnergies EP PNG Limited (**TotalEnergies**).

The rock and fluid samples gathered during the program have been forwarded to, and are presently being evaluated by, TotalEnergies in France. A second set of samples will be analysed in Australia by Lakes Blue Energy.

Following completion of analysis work and other geological and geophysical studies, TotalEnergies has an option to undertake, at its cost, a further ('Phase B') program involving seismic acquisition to delineate the Buna Prospect in preparation for drilling. If the seismic program is completed, TotalEnergies has the further option to acquire a 75% interest in PPL560, in which case TotalEnergies shall fund the first US\$30m of the cost of drilling a first exploration well within PPL560, with any additional cost shared by the joint venture. The Company will retain a 25% interest in the prospect.

Nangwarry Carbon Dioxide Project

The Company is continuing to pursue opportunities for sale of carbon dioxide from the Nangwarry gas field (LKO: 50%; VEN: 50%). The Nangwarry gas field contains a best case saleable carbon dioxide resource of 25.9 billion standard cubic feet (12.9 Bcf net to LKO). During flow testing, the Nangwarry-1 well achieved raw gas flow rates up to 18.6 million cubic feet per day, which will comfortably meet the requirements of a food-grade carbon dioxide purification plant.

LAKES BLUE ENERGY NL
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Lakes Blue Energy NL (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the period ended 31 December 2022.

Directors

The following persons were directors of Lakes Blue Energy NL during the whole of the financial year and up to the date of this report, 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 \$1,597,944 (31 December 2021: \$1,670,272).

Total income during the period amounted to \$8,009 (2021: \$33,002).

Operating expenses for the period were \$1,563,989 (2021: \$1,701,981). Administration expenses amounted to \$312,982 (2021: \$98,756) resulting from continuing operations. Employee benefit expenses amounted to \$212,710 (2021: \$133,020). Finance costs amounted to \$808,086 (2021: \$1,155,907), largely representing the interest expenses on convertible notes during the period.

Financial Position

The net assets of the consolidated entity decreased by \$526,358 to \$5,935,264 as at 31 December 2022 (30 June 2022: \$6,461,622). The consolidated entity's working capital deficit, being current assets less current liabilities was \$7,432,457 at 31 December 2022 (30 June 2022: \$6,411,407). During the period the consolidated entity had a negative cash flow from operating activities of \$1,070,740 (2021: \$293,835).

Significant Changes in the State of Affairs

There were no significant changes to the state of affairs of the consolidated entity during the financial half-year.

Matters Subsequent to Period End

- On 31 January 2023, 632,022,102 new Convertible Notes were issued for interest payable on existing Convertible Notes.
- As at 16 March 2023, the Group have received conversion notices in relation to 11,123,315,804 convertible notes, which includes conversion of interest up to 31 March 2023, and relates to \$8,774,984 of 31 December 2022 host convertible note liabilities.

No other significant subsequent event has arisen that significantly affects the operations of the Group.

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
16 March 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 half-year ended 31 December 2022 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

A. A. Finnis

A. A. Finnis
Director
Melbourne, 16th March 2023

LAKES BLUE ENERGY NL
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Note	31 December 2022	31 December 2021
		\$	\$
Interest income		8,009	383
Other income		-	32,619
Total revenue and other income		8,009	33,002
Employee benefits expense		(212,710)	(133,020)
Depreciation expense		(1,575)	(2,011)
Impairment expense on exploration and evaluation assets		(40,980)	-
Accounting and audit expense		(92,350)	(53,618)
Exploration expense		(930)	(47,551)
Administrative expense		(312,982)	(98,756)
Consulting expense		(120,195)	(174,811)
Finance costs		(808,086)	(1,155,907)
Rent and occupancy expense		(15,161)	(32,144)
R&D repayable		-	(4,163)
(Loss) before income tax expense		(1,596,960)	(1,668,979)
Income tax expense		-	-
(Loss) after income tax expense for the year		(1,596,960)	(1,668,979)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive (loss)		(1,596,960)	(1,668,979)
Loss for the year is attributable to:			
Non-controlling interest		984	1,293
Owners of Lakes Blue Energy NL		(1,597,944)	(1,670,272)
Total comprehensive (loss) for the year		(1,596,960)	(1,668,979)
		Cents	Cents
Basic loss per share (cents)	11	(0.0034)	(0.0047)
Diluted loss per share (cents)	11	(0.0034)	(0.0047)

The accompanying notes form part of these financial statements.

LAKES BLUE ENERGY NL
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Note	31 December 2022	30 June 2022
		\$	\$
Assets			
Current Assets			
Cash and cash equivalents		1,856,457	2,308,111
Other receivables		46,907	123,370
Other financial assets		432,784	590,575
Prepayments		28,914	16,556
Total Current Assets		2,365,062	3,038,612
Non-Current Assets			
Other receivables		12,000	12,000
Property plant and equipment		682,747	684,275
Exploration and evaluation	4	13,615,888	13,235,080
Total Non-Current Assets		14,310,635	13,931,355
Total Assets		16,675,697	16,969,967
Liabilities			
Current Liabilities			
Trade and other payables		673,346	1,110,052
Provisions		195,119	161,576
Convertible notes	5	8,929,054	8,178,391
Total Current Liabilities		9,797,519	9,450,019
Non-Current Liabilities			
Other payables		392,914	508,326
Provisions		550,000	550,000
Total Non-Current Liabilities		942,914	1,058,326
Total Liabilities		10,740,433	10,508,345
Net Assets		5,935,264	6,461,622
Equity			
Share capital	6	142,801,468	141,761,435
Reserves	7	834,978	804,409
Accumulated losses		(137,783,736)	(136,185,792)
Equity attributable to the owners of Lakes Blue Energy NL		5,852,710	6,380,052
Non-controlling interest		82,554	81,570
Total Equity		5,935,264	6,461,622

The accompanying notes form part of these financial statements.

LAKES BLUE ENERGY NL
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Contributed equity	Convertible notes reserve	Accumulated losses	Non-controlling interest	Total equity
	\$	\$	\$	\$	\$
Balance at 1 July 2021	133,763,856	1,155,250	(121,943,485)	84,167	13,059,788
Loss after income tax expense for the period	-	-	(1,670,272)	1,293	(1,668,979)
Other comprehensive income for the period, net of tax	-	-	-	-	-
Total comprehensive income/(loss) for the period	-	-	(1,670,272)	1,293	(1,668,979)
Transactions with equity holders in their capacity as owners					
Advances received for share subscriptions, net of costs	1,146,000	-	-	-	1,146,000
Capital raising costs	(61,924)				(61,924)
Recognition of equity component of convertible notes	-	(124,529)	-	-	(124,529)
Balance at 31 December 2021	134,847,932	1,030,721	(123,613,757)	85,460	12,350,356
Balance at 1 July 2022	141,761,435	804,409	(136,185,792)	81,570	6,461,622
Loss after income tax expense for the period			(1,597,944)	984	(1,596,960)
Other comprehensive income for the period, net of tax	-	-	-	-	-
Total comprehensive income/(loss) for the half year	-	-	(1,597,944)	984	(1,596,960)
Transactions with equity holders in their capacity as owners					
Capital placement (note 6)	1,000,000	-	-	-	1,000,000
Capital raising costs	(68,196)	-	-	-	(68,196)
Shares issued in lieu of payments to Directors	100,000	-	-	-	100,000
Shares issued on conversion of convertible notes	8,229	(526)	-	-	7,703
Recognition of equity component of convertible notes (note 7)	-	31,095	-	-	31,095
Balance at 31 December 2022	142,801,468	834,978	(137,783,736)	82,554	5,935,264

The accompanying notes form part of these financial statements.

LAKES BLUE ENERGY NL
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

	Note	31 December 2022 \$	31 December 2021 \$
Cash flows from operating activities			
Cash receipts from other income		-	29,644
Payments for suppliers and employees		(1,078,772)	(307,619)
Payments for exploration not capitalised		-	(23,020)
Interest received		8,032	7,160
Net cash used in operating activities		(1,070,740)	(293,835)
Cash flows from investing activities			
Payments for exploration and evaluation assets		(459,218)	(45,710)
Refunds of deposits		146,500	-
Net cash (used in)/from investing activities		(312,718)	(45,710)
Cash flows from financing activities			
Advances received for share subscriptions		-	1,146,000
Proceeds from issue of shares	6	1,000,000	-
Capital raising costs in relation to issue of shares	6	(68,196)	-
Capital raising costs in relation to advanced share subscriptions		-	(61,924)
Net cash from financing activities		931,804	1,084,076
Net increase/(decrease) in cash held		(451,654)	744,531
Cash and cash equivalents at beginning of financial period		2,308,111	469,635
Cash and cash equivalents at end of financial period		1,856,457	1,214,166

The accompanying notes form part of these financial statements.

LAKES BLUE ENERGY NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 1. GENERAL INFORMATION

The consolidated financial statements cover Lakes Blue Energy NL as a consolidated entity consisting of Lakes Blue Energy 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's functional and presentation currency.

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

24-26 Kent Street
Millers Point NSW 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 16 March 2023.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 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 2022 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

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, and there is no impact on the half year results. Any new or amended Accounting Standard or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The financial statements have been prepared 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.

As disclosed in the half-year financial report, the Group incurred a loss \$1,597,944 (31 December 2021: \$1,670,272) and at reporting date has net assets of \$5,935,264 (30 June 2022: \$6,461,622), including \$13,615,888 (30 June 2022: \$13,235,080) of capitalised exploration, evaluation and development costs. At reporting date the Company's current liabilities exceeded current assets by \$7,432,457 (30 June 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.

During the period the Company has raised \$1,000,000 before capital raising costs. Cash reserves as at 30 June 2022 were \$1,856,457 (30 June 2022: \$2,308,111).

The directors have been in discussions with convertible note holders to reduce the cash impost on the company from the convertibles notes of \$8,929,054 under current liabilities. As at the date of this report, the Group have received conversion notices in relation to 11,123,315,804 convertible notes, which includes conversion of interest up to 31 March 2023, and relates to \$8,774,984 of 31 December 2022 host convertible note liabilities.

LAKES BLUE ENERGY NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION

	Consolidated	
	31 December 2022	30 June 2022
		\$
Exploration and evaluation	78,574,477	78,152,689
Less: Provision for impairment	(64,958,589)	(64,917,609)
	13,615,888	13,235,080

Reconciliations

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

	Exploration and evaluation
Consolidated	\$
Balance at 1 July 2022	13,235,080
Additions	380,808
Balance at 31 December 2022	13,615,888

LAKES BLUE ENERGY NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 4. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION (CONTINUED)

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)
- PPL 560 (Lakes Oil: Operator, 100% interest)
- PRL 2 – Gippsland Basin, Vic. (Lakes Blue Energy: Operator, 100% interest)
- PEP 166 – Gippsland Basin, VIC (Lakes Blue Energy: Operator, 75% interest)
- PEP 169 – Otway Basin, VIC (Lakes Blue Energy: Operator, 49% 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 an impairment loss of \$40,908 in relation to the drilling of the Wellesley-2 well under the ATP 1183 permit (2021: NIL).

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 5. LIABILITIES – CONVERTIBLE NOTES

	Consolidated	
	31 December 2022	30 June 2022
	\$	\$
CURRENT		
Convertible notes	8,252,413	7,492,605
Interest payable on convertible notes	676,641	685,786
Total	8,929,054	8,178,391

During the period ended 31 December 2022, the consolidated entity issued 650,666,076 convertible notes to sophisticated investors to settle interest and other liabilities, as well as a further 313,321,016 convertible notes issued to Directors to settle interest liabilities. 8,560,506 notes were converted by sophisticated investors during the period.

The primary terms of the convertible notes are:

Issuer: Lakes Blue Energy NL

Face value: \$0.0009 per note

Interest: 15% pa - payable half yearly in arrears

Maturity date: 31 March 2023

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

Valuation methodology

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

LAKES BLUE ENERGY NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 5. LIABILITIES – CONVERTIBLE NOTES (CONTINUED)

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

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

NOTE 6. EQUITY – SHARE CAPITAL - ORDINARY SHARES

	Consolidated			
	31 December 2022	30 June 2022	31 December 2022	30 June 2022
	Shares	Shares	\$	\$
Ordinary shares - fully paid (net of costs)	<u>46,654,598,508</u>	<u>45,296,039,002</u>	<u>142,801,468</u>	<u>141,761,435</u>
	<u>46,654,598,508</u>	<u>45,296,039,002</u>	<u>142,801,468</u>	<u>141,761,435</u>

LAKES BLUE ENERGY NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 6. EQUITY – SHARE CAPITAL - ORDINARY SHARES (CONTINUED)

Movements in ordinary share capital

Details	Date	Shares	Issue Price	\$
Balance at 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 at 30 June 2022		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	\$0.001	99,999
Equity component of convertible notes converted transferred from the convertible notes reserve		-	-	526
Capital raising costs		-	-	(68,196)
Balance at 31 December 2022		46,654,598,508		142,801,468

NOTE 7. EQUITY – RESERVES

	Consolidated	
	31 December 2022	30 June 2022
	\$	\$
Convertible notes reserve	834,978	804,409
	834,978	804,409

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.

LAKES BLUE ENERGY NL
NOTES TO THE FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

NOTE 7. EQUITY – RESERVES (CONTINUED)

Movements in reserves

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

	Convertible note reserve
Consolidated	\$
Balance at 1 July 2022	804,409
Equity component of Convertible notes issued	31,095
Shares issued on conversion of convertible notes	(526)
Balance at 31 December 2022	834,978

NOTE 8. EQUITY – DIVIDENDS

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

NOTE 9. CONTINGENT LIABILITIES

The consolidated entity did not have any contingent liabilities as at 31 December 2022 (30 June 2022: NIL).

NOTE 10. EVENTS AFTER THE REPORTING PERIOD

- On 31 January 2023, 632,022,102 new Convertible Notes were issued for interest payable on existing Convertible Notes.
- As at 16 March 2023, the Group have received conversion notices in relation to 11,123,315,804 convertible notes, which includes conversion of interest up to 31 March 2023, and relates to \$8,774,984 of 31 December 2022 host convertible note liabilities.

No other significant subsequent event has arisen that significantly affects the operations of the Group.

NOTE 11. EARNINGS / (LOSS) PER SHARE

	Consolidated	
	31 December 2022	31 December 2021
		\$
Loss for the year attributable to:		
Owners of Lakes Blue Energy NL	(1,597,944)	(1,670,272)
Non-controlling interest	984	1,293
Basic loss per share (cents per share) attributed to owners of Lakes Blue Energy NL	(0.0034)	(0.0047)
Diluted loss per share (cents per share) attributed to owners of Lakes Blue Energy NL	(0.0034)	(0.0047)
Weighted average number of shares used for the purposes of calculating basic and diluted earnings per share:		
- Basic earnings per share	46,419,716,350	35,521,408,960
- Diluted earnings per share	46,419,716,350	35,521,408,960

LAKES BLUE ENERGY NL
DIRECTORS' DECLARATION
FOR THE HALF YEAR ENDED 31 DECEMBER 2022

The Directors of the Company declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes as set out on pages 7 to 16 comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (c) the attached financial statements and notes thereto give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date.

Signed in accordance with a resolution of the directors made pursuant to s303 (5) (a) of the Corporations Act 2001.

On behalf of the Directors:



Richard Ash
Non-Executive Chairman
16 March 2023

Lakes Blue Energy 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 (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 2022, 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 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 2022 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 consolidated 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 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 half-year financial report, which indicates that the consolidated group incurred a net loss of \$1,596,960 during the half-year ended 31 December 2022 and, as of that date, the Group's current liabilities exceeded its current assets by \$7,432,457. 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 group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of Management 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 consolidated group's financial position as at 31 December 2022 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.

William Buck

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

A. A. Finnis

A. A. Finnis
Director
Melbourne, 16th March 2023