



Lakes Oil NL

ABN 62 004 247 214

Half-Year Report - 31 December 2017

Lakes Oil NL
Contents
31 December 2017



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Directors	Chris Tonkin (Non-Executive Chairman) Barney Berold (Non-Executive Director) Nicholas Mather (Non-Executive Director) Ian Plimer (Non-Executive Director) William Stubbs (Non-Executive Director) Kyle Wightman (Non-Executive Director)
Chief Executive Officer	Roland Sleeman
Company secretary	Melanie Leydin
Registered office	Level 14 500 Collins Street Melbourne Victoria 3000
Telephone	(03) 9629 1566
Facsimile	(03) 9629 1624
Share registry	Computershare Investor Services Pty. Ltd. Yarra Falls 452 Johnston Street Abbotsford Victoria 3067
Telephone	1300 850 505
Auditor	Pitcher Partners Level 19 15 William Street Melbourne Victoria 3000
Solicitors	Baker & McKenzie Level 19 CBW 181 William Street Melbourne Victoria 3000
Bankers	Westpac Banking Corporation 360 Collins Street Melbourne Victoria 3000
Stock exchange listing	Lakes Oil NL shares and converting notes are listed on the Australian Securities Exchange (ASX code: LKO and LKOGB)
Website	www.lakesoil.com.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 Oil NL (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the 6 months ended 31 December 2017.

Directors

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

Chris Tonkin (Chairman)
Barney Berold (Non-executive Director)
Nicholas Mather (Non-executive Director)
Ian Plimer (Non-executive Director)
William Stubbs (Non-executive Director)
Kyle Wightman (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 the United States.

Financial Results

The loss for the consolidated entity after providing for income tax amounted to \$1,121,453 (31 December 2016: \$5,840,096).

Revenue including other income during the period amounted to \$12,548 (2016: \$58,375), which included interest of \$7,048 and other income of \$5,500.

Operating expenses for the period were \$1,134,001 (2016: \$5,898,471). Administration expenses amounted to \$557,144 (2016: \$719,069) resulting from continuing operations. Employee benefit expenses amounted to \$200,843 (2016: \$339,915). The Impairment loss on exploration and evaluation assets amounted to \$98,598 (2016: \$3,980,582) which largely resulted from the impairment of expenditure during the period on the consolidated entity's Victorian assets following the Victorian Governments decision to ban onshore petroleum activities.

Financial Position

The net assets of the consolidated entity increased by \$2,970,564 to \$14,047,225 as at 31 December 2017 (30 June 2017: \$11,076,661) which is largely due the capital raisings completed during the period. The consolidated entity's working capital surplus, being current assets less current liabilities was \$1,821,750 at 31 December 2017 (30 June 2017: deficit \$1,120,917). During the period the consolidated entity had a negative cash flow from operating activities of \$1,348,508 (2016: \$1,470,692).



Corporate developments

Legal proceedings

The consolidated entity's legal proceedings against the Victorian Government are continuing. The proceedings, launched to protect the interests of the consolidated entity and its 11,000+ long-standing shareholders, initially involved:

- an application (filed on 27 October 2016) for Judicial Review of the Victorian Minister for Resources' decisions to refuse to consider or accept applications to conduct petroleum exploration operations; and
- civil proceedings (launched in the Supreme Court of Victoria on 6 December 2016) asserting that the actions of the Victorian Minister for Resources, in depriving the consolidated entity of its opportunity to use its exploration permits ('grants') constitutes a derogation from those grants. Damages were sought for the losses suffered by the consolidated entity as a result of the Minister's conduct.

By way of an Amended Statement of Claim, filed in the Supreme Court of Victoria on 27 February 2017, the Judicial Review and civil proceedings, as described above, were combined into one proceeding.

On 2 May 2017 the Victorian Government filed an application to have the consolidated entity's legal proceedings summarily dismissed on the grounds that the Fracking Ban Act (referred to above) prevents the proceedings from being successful.

On 14 June 2017 the consolidated entity amended its statement of claim to recognise the existence of the Resources Legislation (Fracking Ban) Act 2017 (which amended the Petroleum Act 1998 and which was not in place when the legal proceedings were initiated). The consolidated entity's amended claim asserts that the Petroleum Act 1998 (as amended) does not empower Government to refuse to allow exploration companies to fulfil obligations and commitments under exploration permits or retention leases. Rather, the Act specifically provides that existing obligations and commitments are not subject to the moratorium.

Following agreement between the consolidated entity and the Victorian Government, by Order ratified on 13 July 2017 the Victorian Government withdrew its application to have the consolidated entity's legal proceeding summarily dismissed and agreed to file its Defence by 21 July 2017. This arrangement meant that a Directions Hearing, otherwise scheduled for 17 July 2017, was not required and was adjourned until 11 August 2017.

On 21 July 2017 the Victorian Government filed its Defence. The Defence appears to concede that the consolidated entity's interpretation of the Fracking Ban Act is correct.

The proceedings have been listed for trial on 14 March 2018. It is estimated the proceedings will take 2 to 3 days to be heard.

Movements in capital

During the period the consolidated entity completed three private placements and a Share Purchase Plan issuing a total of 2,684,704,547 fully paid ordinary shares raising a total of \$3,968,875 (before costs). The consolidated entity also issued a total 196,311,730 fully paid ordinary shares to Directors in lieu of fees as approved by shareholders at the consolidated entity's 2016 and 2017 Annual General Meetings.

During the period a total of 6,378 (2016: 2,070) Converting Notes were converted into 57,982,398 fully paid ordinary shares.

During the period interest of \$66,097 was paid from funds held by Equity Trustees for the Converting Notes on issue on behalf of the consolidated entity to holders of the Converting Notes.

Significant changes in the state of affairs

On 13 October 2017, the consolidated entity completed a placement to professional and sophisticated investors issuing a total of 145,454,545 fully paid ordinary shares at an issue price of \$0.0011 (0.11 cents) per share raising a total of \$160,000 (before costs).

On 17 October 2017, the consolidated entity completed a placement to professional and sophisticated investors issuing a total of 696,666,668 fully paid ordinary shares at an issue price of \$0.0015 (0.15 cents) per share raising a total of \$1,045,000 (before costs).

On 18 October 2017, the consolidated entity completed a placement to professional and sophisticated investors issuing a total of 479,333,334 fully paid ordinary shares at an issue price of \$0.0015 (0.15 cents) per share raising a total of \$719,000 (before costs).



On 7 December 2017, the consolidated entity issued a total of 57,982,398 fully paid ordinary shares upon the early conversion of 6,378 Converting Notes.

On 15 December 2017, the consolidated entity completed a Share Purchase Plan to existing shareholders as per the offer document announced on 10 November 2017. A total of 1,363,250,000 fully paid ordinary shares were subscribed at an issue price of \$0.0015 (0.15 cents) per share raising a total of \$2,044,875 (before costs).

During the period the consolidated entity issued a total of 196,311,730 fully paid ordinary shares were issued to directors in lieu of fees as approved at the consolidated entity's Annual General Meeting's held on 16 January 2017 and 13 November 2017.

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 4 January 2018, the consolidated entity repaid in full a \$1,000,000 mortgage that was held over properties owned by the consolidated entity.

On 12 January 2018, the consolidated entity issued 6,223,340 fully paid ordinary shares to directors in lieu of fees as approved at the consolidated entity's Annual General Meeting held on 13 November 2017.

On 12 February 2018, the consolidated entity issued 12,446,680 fully paid ordinary shares to directors in lieu of fees as approved at the consolidated entity's Annual General Meeting held on 13 November 2017. The consolidated entity also completed a small scale offering issuing 1,000,000 fully paid ordinary share at \$0.0015 (0.15 cents) per share raising \$1,500 (before costs).

No other matter or circumstance has arisen since 31 December 2017 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.

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.

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

A handwritten signature in black ink, appearing to read 'Chris Tonkin', written over a horizontal line.

Chris Tonkin
Chairman

28 February 2018

**LAKES OIL N.L.
ACN 004 247 214
AND CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF LAKES OIL N.L.**

In relation to the independent auditor's review for the half-year ended 31 December 2017, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of APES 110 *Code of Ethics for Professional Accountants*.

This declaration is in respect of Lakes Oil N.L. and the entities it controlled during the period.



B POWERS
Partner
28 February 2018



PITCHER PARTNERS
Melbourne

Lakes Oil NL
Statement of profit or loss and other comprehensive income
For the period ended 31 December 2017



		Consolidated	
	Note	31 December 2017	31 December 2016
		\$	\$
Revenue			
Interest income	4	7,048	8,500
Other income	4	5,500	8,500
Fair value gains on financial assets through profit or loss		-	41,375
		<u>12,548</u>	<u>58,375</u>
Expenses			
Employee benefits expense		(200,843)	(339,915)
Depreciation expenses		(10,487)	(13,542)
Loss on disposal of assets		-	(231,002)
Impairment loss on exploration and evaluation assets	6	(98,598)	(3,980,582)
Accounting and audit expenses		(31,623)	(91,183)
Administrative expenses		(557,144)	(719,069)
Consulting expenses		(52,025)	(166,725)
Finance costs		(65,858)	(202,401)
Marketing and promotion expenses		(21,900)	(26,024)
Rent and occupancy expenses		(95,523)	(128,028)
		<u>(1,121,453)</u>	<u>(5,840,096)</u>
Loss before income tax expense		(1,121,453)	(5,840,096)
Income tax expense		-	-
		<u>-</u>	<u>-</u>
Loss after income tax expense for the period attributable to the owners of Lakes Oil NL		(1,121,453)	(5,840,096)
Other comprehensive income for the period, net of tax		-	-
		<u>-</u>	<u>-</u>
Total comprehensive income for the period attributable to the owners of Lakes Oil NL		<u>(1,121,453)</u>	<u>(5,840,096)</u>
		Cents	Cents
Basic loss per share	12	(0.004)	(0.049)
Diluted loss per share	12	(0.004)	(0.049)

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

Lakes Oil NL
Statement of financial position
As at 31 December 2017



		Consolidated	
	Note	31 December	30 June 2017
		2017	2017
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		3,504,692	593,176
Trade and other receivables		144,161	141,472
Held for sale asset		-	406,080
Other financial assets	5	63,135	137,206
Other current assets		118,658	27,490
Total current assets		<u>3,830,646</u>	<u>1,305,424</u>
Non-current assets			
Receivables		12,000	12,000
Property plant and equipment		1,318,680	1,329,165
Exploration and evaluation	6	11,194,795	11,163,871
Total non-current assets		<u>12,525,475</u>	<u>12,505,036</u>
Total assets		<u>16,356,121</u>	<u>13,810,460</u>
Liabilities			
Current liabilities			
Trade and other payables		837,835	1,192,244
Converting notes		62,908	133,039
Borrowings	7	1,000,000	1,000,000
Provisions		108,153	101,058
Total current liabilities		<u>2,008,896</u>	<u>2,426,341</u>
Non-current liabilities			
Provisions		300,000	307,458
Total non-current liabilities		<u>300,000</u>	<u>307,458</u>
Total liabilities		<u>2,308,896</u>	<u>2,733,799</u>
Net assets		<u>14,047,225</u>	<u>11,076,661</u>
Equity			
Share capital - ordinary shares and converting notes	8	126,968,169	122,876,152
Reserves		25,740	25,740
Accumulated losses		(112,946,684)	(111,825,231)
Total equity		<u>14,047,225</u>	<u>11,076,661</u>

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

Lakes Oil NL
Statement of changes in equity
For the period ended 31 December 2017



Consolidated	Contributed equity \$	Share based payment reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016	111,015,298	57,420	(104,250,612)	6,822,106
Loss after income tax expense for the period	-	-	(5,840,096)	(5,840,096)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(5,840,096)	(5,840,096)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity	1,188,796	-	-	1,188,796
Lapse of options	-	(16,830)	16,830	-
Capital raising costs	(201,884)	-	-	(201,884)
Balance at 31 December 2016	<u>112,002,210</u>	<u>40,590</u>	<u>(110,073,878)</u>	<u>1,968,922</u>
Consolidated	Contributed equity \$	Share based payment reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017	122,876,152	25,740	(111,825,231)	11,076,661
Loss after income tax expense for the period	-	-	(1,121,453)	(1,121,453)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive income for the period	-	-	(1,121,453)	(1,121,453)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity	4,204,409	-	-	4,204,409
Capital raising costs	(112,392)	-	-	(112,392)
Balance at 31 December 2017	<u>126,968,169</u>	<u>25,740</u>	<u>(112,946,684)</u>	<u>14,047,225</u>

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

Lakes Oil NL
Statement of cash flows
For the period ended 31 December 2017



	Note	Consolidated	
		31 December 2017	31 December 2016
		\$	\$
Cash flows from operating activities			
Receipts		5,500	8,500
Payments to suppliers and employees		(1,165,596)	(1,282,453)
Payments for exploration and evaluation costs		(129,523)	(138,836)
Interest received		2,262	3,248
Finance costs		(61,151)	(61,151)
		<u> </u>	<u> </u>
Net cash used in operating activities		(1,348,508)	(1,470,692)
Cash flows from investing activities			
Payments for investment in NavGas Pty Ltd		-	(400,000)
Proceeds from disposal of financial assets		-	758,542
Proceeds from trustee investments		8,725	2,673
Proceeds from disposal of property		406,080	-
		<u> </u>	<u> </u>
Net cash from investing activities		414,805	361,215
Cash flows from financing activities			
Proceeds from issue of shares	8	3,893,875	-
Proceeds from issue of converting notes		-	1,375,055
Converting note interest paid		-	(282,249)
Payment of note issue costs		-	(198,444)
Share issue transaction costs		(48,656)	(3,440)
		<u> </u>	<u> </u>
Net cash from financing activities		3,845,219	890,922
Net increase/(decrease) in cash and cash equivalents		2,911,516	(218,555)
Cash and cash equivalents at the beginning of the financial period		593,176	761,818
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial period		<u>3,504,692</u>	<u>543,263</u>

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



Note 1. General information

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

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 14, 500 Collins St
Melbourne VIC 3000

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 28 February 2018.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 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 2017 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, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

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

None of these Accounting Standards and Interpretations had a material effect.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations is not expected to have any significant impact on the financial performance or position of the consolidated entity.

Compliance with IFRS

Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting.

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.



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 incurred an operating loss after income tax expense for the period ended 31 December 2017 of \$1,121,453 (2016: \$5,840,096) and at reporting date has net assets of \$14,047,225 (30 June 2017: \$11,076,661) including \$11,194,795 (30 June 2017: \$11,163,871) of capitalised exploration, evaluation and development costs.

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.

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:

- The consolidated entity has demonstrated its ability to raise capital during the period ending 31 December 2017 and would seek to raise additional capital in the future when necessary;
- Sale or mortgage of property;
- Exit the lease on the consolidated entity's registered office;
- Continue to reduce corporate overhead costs;
- Continue to pursue opportunities to negotiate pre-paid gas supply contracts, however at the date of this report no agreements have been signed;
- 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

The consolidated entity has two reportable segments as described below:

Segment 1: Exploration for hydrocarbon reserves, principally in on-shore regions of Victoria, Australia

Segment 2: Investment in entities engaged in the renewable energy sector.

During the prior period the consolidated entity sold all shares held in Vivid Technology Limited and therefore as at 31 December 2017 the consolidated entities interest in the renewable energy sector had ceased.



Note 3. Operating segments (continued)

Operating segment information

	Segment 1	Segment 2	Total
	\$	\$	\$
Consolidated - 31 December 2017			
Revenue			
Segment revenue	5,500	-	5,500
Total segment revenue	5,500	-	5,500
<i>Unallocated revenue:</i>			
Interest income			7,048
Total revenue			12,548
Total operating result	(1,110,966)	-	(1,110,966)
Deprecation	(10,487)	-	(10,487)
Loss before income tax expense	(1,121,453)	-	(1,121,453)
Income tax expense			-
Loss after income tax expense			(1,121,453)
	Segment 1	Segment 2	Total
	\$	\$	\$
Consolidated - 31 December 2016			
Revenue			
Segment revenue	8,500	41,375	49,875
Total segment revenue	8,500	41,375	49,875
<i>Unallocated revenue:</i>			
Interest income			8,500
Total revenue			58,375
Total operating result	(5,619,679)	(206,875)	(5,826,554)
Deprecation	(13,542)	-	(13,542)
Loss before income tax expense	(5,633,221)	(206,875)	(5,840,096)
Income tax expense			-
Loss after income tax expense			(5,840,096)

All segment revenue is derived in Australia.

All assets and liabilities in the statement of financial position relate to Segment 1 with the exception of financial assets at fair value through the profit and loss which relate to Segment 2.

All assets and liabilities on the statement of financial position are based in Australia, with the exception of a Segment 1 Non-Current Asset, being Deferred Exploration and Evaluation Costs for Eagle Prospect, a permit in the USA which has a carrying value of \$Nil following the asset been fully impaired at 31 December 2017. This asset is disclosed in Note 6.



Note 4. Revenue

	Consolidated	
	31 December 2017	31 December 2016
	\$	\$
Revenue from continuing operations		
Interest - Other persons/corporations	7,048	8,500
Other Income	5,500	8,500
	<u>12,548</u>	<u>17,000</u>
Total	<u>12,548</u>	<u>17,000</u>

Other income relates to agistment revenue received on the Owens Lane property held by the consolidated entity.

Note 5. Current assets - Other financial assets

	Consolidated	
	31 December 2017	30 June 2017
	\$	\$
Cash held on trust	<u>63,135</u>	<u>137,206</u>

The cash held on trust is held on trust by Equity Trustees Limited for the benefit of the holders of listed unsecured converting notes in respect of future interest payments. These funds are restricted funds.

Note 6. Non-current assets - exploration and evaluation

	Consolidated	
	31 December 2017	30 June 2017
	\$	\$
Exploration and evaluation	62,852,554	62,723,432
Less: Provision for impairment	(51,657,759)	(51,559,561)
	<u>11,194,795</u>	<u>11,163,871</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 2017	11,163,871
Expenditure during the period	129,522
Provision for impairment	<u>(98,598)</u>
Balance at 31 December 2017	<u>11,194,795</u>



Note 6. Non-current assets - exploration and evaluation (continued)

Significant judgment is required in determining whether it is likely that future economic benefits will be derived from the capitalised exploration and evaluation expenditure. During the prior period the consolidated entity had an independent experts report completed by SRK Consulting. According to the published report each valuation of the consolidated entity's areas of interest in Victoria and Queensland exceeded the carrying book value at 31 December 2017. Given the Victorian Government's recent decision to ban onshore petroleum activities there is an uncertainty around the probability that the consolidated entity will be able to continue exploration activities in each area of interest.

During the prior and current period the consolidated entity impaired all its expenditure that it had capitalised in relation to its Victorian exploration acreage in view of the Victorian Government's 30 August 2016 announcement that all unconventional onshore gas exploration is to be banned.

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 7. Current liabilities - Borrowings

	Consolidated	
	31 December	30 June 2017
	2017	2017
	\$	\$
Mortgage	<u>1,000,000</u>	<u>1,000,000</u>

On 5 April 2016 Lakes Oil NL fully owned subsidiary drew down a \$1,000,000 loan secured by a mortgage over land it owns. The loan was repayable 12 months from commencement date and Lakes Oil NL is guarantor for the loan.

During the prior period the consolidated entity negotiated an extension of the mortgage noted above. The loan was repayable during January 2018 and was repaid in full subsequent to the end of the period.

Note 8. Equity - Share capital - ordinary shares and converting notes

	Consolidated			
	31 December	30 June 2017	31 December	30 June 2017
	2017	2017	2017	2017
	No.	No.	\$	\$
Ordinary shares - fully paid	27,585,897,357	24,646,898,682	126,111,863	121,976,841
Converting notes - fully paid	<u>125,815</u>	<u>132,193</u>	<u>856,306</u>	<u>899,311</u>
	<u>27,586,023,172</u>	<u>24,647,030,875</u>	<u>126,968,169</u>	<u>122,876,152</u>

The converting notes issued during the year ended 30 June 2016 were issued under a "limited disclosure" section 713 prospectus under the Corporations Act 2001 (Cth) dated 27 June 2016. Interest is payable half yearly at the rate of 50 cents per note, with the last payment due on 31 May 2018 equating to 10% per annum interest rate.

The maturity date (when conversion into shares occurs) is 31 May 2018. These notes offer early conversion opportunities to noteholders. Notes will also convert in the case of a change in control at 0.11 cents per share. The notes are not redeemable by Lakes Oil NL.

Each note converts into 9,091 shares. However if the 30 Day Average Closing Share Price prior to the maturity date is less than 0.11 cents, the number of shares received on conversion for each note will be increased to a maximum of 10,000 shares on the basis of an uplift factor formula (having regard to the 30 day Average Closing Share Price with a minimum price of 0.10 cents) as set out in the prospectus. This uplift factor increase only applies on conversion at maturity date.

There is no additional payment required upon conversion.



Note 8. Equity - Share capital - ordinary shares and converting notes (continued)

During the period a total of 6,378 (2016: 2,070) Converting Notes were converted into 57,982,398 fully paid ordinary shares (2016: 18,818,370).

During the period interest of \$66,097 was paid to holders of Converting Notes.

Movements in ordinary share capital

Details	Date	Shares		\$
Balance	1 July 2017	24,646,898,682		121,976,841
Shares issued to Directors in lieu of fees	10 July 2017	1,388,890	\$0.001	1,389
Shares issued to Directors in lieu of fees	9 August 2017	1,388,890	\$0.001	1,389
Shares issued to Directors in lieu of fees	13 September 2017	3,421,640	\$0.001	3,422
Shares issued to Directors in lieu of fees	13 October 2017	5,998,340	\$0.001	5,998
Share placement	13 October 2017	145,454,545	\$0.0011	160,000
Share placement	16 October 2017	696,666,668	\$0.0015	1,045,000
Share placement	18 October 2017	479,333,334	\$0.0015	719,000
Shares issued to Directors in lieu of fees	13 November 2017	2,999,170	\$0.002	5,998
Shares issued on conversion of notes	7 December 2017	57,982,398	-	52,579
Shares issued to Directors in lieu of fees	13 December 2017	144,891,900	\$0.001	144,892
Shares issued to Directors in lieu of fees	13 December 2017	36,222,900	\$0.002	72,446
Share purchase plan	15 December 2017	1,363,250,000	\$0.0015	2,044,875
Net Capital raising costs and note issue costs adjustment on conversion		-	-	(121,966)
Balance	31 December 2017	<u>27,585,897,357</u>		<u>126,111,863</u>

Movements in converting notes on issue

Details	Date	Converting notes	\$
Balance	1 July 2017	132,193	899,311
Early conversion of notes	7 December 2017	(6,378)	(52,579)
Note issue costs adjustment on conversion		-	9,574
Balance	31 December 2017	<u>125,815</u>	<u>856,306</u>

Note 9. Equity - dividends

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

Note 10. Contingent liabilities and commitments

There were no contingent liabilities at 31 December 2017 and 30 June 2017.

There was no material change in commitments since 30 June 2017.



Note 11. Events after the reporting period

On 4 January 2018, the consolidated entity repaid in full a \$1,000,000 mortgage that was held over properties owned by the consolidated entity.

On 12 January 2018, the consolidated entity issued 6,223,340 fully paid ordinary shares to directors in lieu of fees as approved at the consolidated entity's Annual General Meeting held on 13 November 2017.

On 12 February 2018, the consolidated entity issued 12,446,680 fully paid ordinary shares to directors in lieu of fees as approved at the consolidated entity's Annual General Meeting held on 13 November 2017. The consolidated entity also completed a small scale offering issuing 1,000,000 fully paid ordinary share at \$0.0015 (0.15 cents) per share raising \$1,500 (before costs).

No other matter or circumstance has arisen since 31 December 2017 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 12. Loss per share

	Consolidated	
	31 December	31 December
	2017	2016
	\$	\$
Loss after income tax attributable to the owners of Lakes Oil NL	<u>(1,121,453)</u>	<u>(5,840,096)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>25,341,487,493</u>	<u>11,892,370,598</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>25,341,487,493</u>	<u>11,892,370,598</u>
	Cents	Cents
Basic loss per share	(0.004)	(0.049)
Diluted loss per share	(0.004)	(0.049)

During the period the consolidated entity made a loss from continuing operations and therefore the options over ordinary shares on issue are non-dilutive.

Lakes Oil NL
Directors' declaration
31 December 2017



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 2017 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 'Chris Tonkin', written over a horizontal line.

Chris Tonkin
Chairman

28 February 2018

LAKES OIL N.L.
ABN 62 004 247 214
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
LAKES OIL N.L.

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Lakes Oil N.L. "the Company" and controlled entities "the Group", which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' Responsibility for the Half-Year 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 Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, 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 Group's financial position as at 31 December 2017 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*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Lakes Oil N.L. and controlled entities, would be in the same terms if given to the directors as at the time of this auditor's report.

LAKES OIL N.L.
ABN 62 004 247 214
AND CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
LAKES OIL N.L.

Conclusion

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 the Group is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter in relation to Going Concern

We draw attention to Note 2 – Going Concern in the financial report, which indicates that the Group incurred a net loss of \$1,121,453 for the half year ended 31 December 2017. As stated in Note 2 this event, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.



B POWERS
Partner

28 February 2018



PITCHER PARTNERS
Melbourne