



Lakes Oil NL

ABN 62 004 247 214

Interim Report - 31 December 2018

Lakes Oil NL
Contents
31 December 2018



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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) Kyle Wightman (Non-Executive Director) Richard Ash (Non-Executive Director)
Chief Executive Officer	Roland Sleeman
Company secretary	Melanie Leydin
Registered office	Level 4 100 Albert Road South Melbourne Victoria 3205
Telephone	(03) 9629 1566
Share registry	Computershare Investor Services Pty. Ltd. Yarra Falls 452 Johnston Street Abbotsford Victoria 3067
Telephone	1300 850 505
Auditor	Pitcher Partners Level 13 664 Collins Street Docklands Victoria 3008
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 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 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 2018.

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 (Non-Executive Chairman)
Barney Berold (Non-Executive Director)
Nicholas Mather (Non-Executive Director)
Ian Plimer (Non-Executive Director)
Kyle Wightman (Non-Executive Director)
Richard Ash (Non-Executive Director) - Appointed 20 August 2018
Roland Sleeman (Alternate Director for William Stubbs) - Appointed 5 September 2018 and resigned 13 November 2018
William Stubbs (Non-Executive Director) - Retired 13 November 2018

Principal activities

During the period the principal continuing activities of the consolidated entity consisted of Exploration for oil and gas within Australia, United States and Papua New Guinea.

Financial Results

The loss for the consolidated entity after providing for income tax and non-controlling interest amounted to \$2,623,075 (31 December 2017: \$1,121,453).

Revenue including other income during the period amounted to \$40,108 (2017: \$12,548), which included interest of \$3,731 and other income of \$36,377.

Operating expenses for the period were \$2,693,511 (2017: \$1,134,001). Administration expenses amounted to \$981,750 (2017: \$557,144) resulting from continuing operations. Employee benefit expenses amounted to \$134,838 (2017: \$200,843). The Impairment loss on exploration and evaluation assets amounted to \$87,437 (2017: \$98,598) which largely resulted from the impairment of expenditure during the period on the consolidated entity's Victorian assets following the Victorian Government's decision to ban onshore petroleum activities and Rawson tenements PPL549, PPL560 & PPL391. An amount of \$1,021,141 was booked in relation to a prior year research and development tax incentive claim which was rejected by Innovation Science Australia and has such been recorded as a liability (refer to note 6 & 10).

Financial Position

The net assets of the consolidated entity increased by \$1,213,929 to \$14,418,655 as at 31 December 2018 (30 June 2018: \$13,204,716) which is largely due to the capital raisings and Rawson acquisition completed during the period. The consolidated entity's working capital deficit, being current assets less current liabilities was \$1,306,692 at 31 December 2018 (30 June 2018: surplus \$1,308,878). During the period the consolidated entity had a negative cash flow from operating activities of \$1,614,312 (2017: \$1,348,508).

Significant changes in the state of affairs

On 31 July 2018, the consolidated entity announced that it would make an Off-Market Takeover Bid for Rawson Oil and Gas Limited (ASX: RAW). The takeover offer to RAW shareholders consisted of the consolidated entity issuing 15 shares for every RAW share on issue up to a maximum of 1,890,813,330 fully paid ordinary shares. The offer was due to close on 10 September 2018.

On 15 August 2018, the consolidated entity announced the Off-Market Takeover Offer for RAW was unconditional with acceptances exceeding 50.1%.

On 7 September 2018, the consolidated entity announced the first supplementary bidders statement which noted that the offer would be extended until 24 September 2018.



On 14 September 2018, the consolidated entity issued a total of 1,365,579,780 fully paid ordinary shares as part of the consideration of ordinary shares in RAW under its Off-Market Takeover Bid for an interest of 80.74% of the ordinary shares in RAW, on the terms set out in its bidder's statement dated 8 August 2018.

On 24 September 2018, the consolidated entity announced that the Victorian Supreme Court had rejected the consolidated entity's claims that the Victorian Government's state-wide moratorium on on-shore gas exploration was unlawful or ineffective.

During September 2018, the consolidated entity sold a section of the land for a total of \$350,000 (before costs). These funds were used for ongoing working capital purposes.

On 9 October 2018, the consolidated entity issued a total of 153,576,015 fully paid ordinary shares as part of the consideration of ordinary shares in RAW under its Off-Market Takeover Bid.

On 29 October 2018, the consolidated entity issued a total of 10,308,000 unlisted options to eligible RAW option holders, as the consideration for the cancellation of options in RAW. The options have been issued on the same terms as the current class of options currently on issue.

On 17 December 2018, the consolidated entity completed a placement to professional and sophisticated investors for 350,000,000 fully paid ordinary shares at \$0.001 (0.1 cents) per share to raise \$350,000 (before costs).

On 19 December 2018, the consolidated entity announced that it would undertake a non-renounceable entitlement offer of one fully paid ordinary share for every five shares held by eligible security holders to raise up to \$6.13 million.

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 15 January 2019, the consolidated entity issued 13,380,680 fully paid ordinary shares to Directors in lieu of outstanding Directors fees as approved by shareholders at the 2018 Annual General Meeting.

On 14 February 2019, the consolidated entity issued 23,380,680 fully paid ordinary shares to Directors in lieu of outstanding Directors fees as approved by shareholders at the 2018 Annual General Meeting in addition to shares issued to an employee of the consolidated entity.

On 22 February 2019, the consolidated entity announced the issue of 2,080,467,190 fully paid ordinary shares following applications received in relation to the non-renounceable entitlement offer which closed on 15 February 2019. The total subscriptions amounted to \$2,080,467 (before costs).

On 14 March 2019, the consolidated entity issued 13,380,680 fully paid ordinary shares to Directors in lieu of outstanding Directors fees as approved by shareholders at the 2018 Annual General Meeting.

No other matter or circumstance has arisen since 31 December 2018 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

15 March 2019

LAKES OIL N.L.
ABN 62 004 247 214
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 2018, 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

15 March 2019



PITCHER PARTNERS
Melbourne

Lakes Oil NL
Condensed statement of profit or loss and other comprehensive income
For the period ended 31 December 2018



		Consolidated	
	Note	31 December 2018	31 December 2017
		\$	\$
Revenue			
Interest income		3,731	7,048
Other income		36,377	5,500
		<u>40,108</u>	<u>12,548</u>
Expenses			
Employee benefits expense		(134,838)	(200,843)
Depreciation expenses		(8,860)	(10,487)
Impairment loss on exploration and evaluation assets	5	(87,437)	(98,598)
Accounting and audit expenses		(66,861)	(31,623)
Administrative expenses		(981,750)	(557,144)
Consulting expenses		(225,846)	(52,025)
Finance costs		(11,871)	(65,858)
Marketing and promotion expenses		(6,900)	(21,900)
Rent and occupancy expenses		(148,007)	(95,523)
Research and development expense	6	<u>(1,021,141)</u>	<u>-</u>
Loss before income tax expense		(2,653,403)	(1,121,453)
Income tax expense		<u>-</u>	<u>-</u>
Loss after income tax expense for the period		(2,653,403)	(1,121,453)
Other comprehensive income for the period, net of tax		<u>-</u>	<u>-</u>
Total comprehensive income for the period		<u>(2,653,403)</u>	<u>(1,121,453)</u>
Loss for the period is attributable to:			
Non-controlling interest		(30,328)	-
Owners of Lakes Oil NL		<u>(2,623,075)</u>	<u>(1,121,453)</u>
		<u>(2,653,403)</u>	<u>(1,121,453)</u>
Total comprehensive income for the period is attributable to:			
Non-controlling interest		(30,328)	-
Owners of Lakes Oil NL		<u>(2,623,075)</u>	<u>(1,121,453)</u>
		<u>(2,653,403)</u>	<u>(1,121,453)</u>
		Cents	Cents
Basic loss per share	13	(0.009)	(0.004)
Diluted loss per share	13	(0.009)	(0.004)

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

Lakes Oil NL
Condensed statement of financial position
As at 31 December 2018



		Consolidated	
		31 December	
	Note	2018	30 June 2018
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	4	3,074,093	1,286,550
Trade and other receivables		229,284	215,335
Held for sale asset		370,000	320,000
Prepayments		73,289	46,239
Total current assets		<u>3,746,666</u>	<u>1,868,124</u>
Non-current assets			
Other receivables		12,000	12,000
Property plant and equipment		620,824	988,362
Exploration and evaluation	5	15,642,523	11,195,486
Total non-current assets		<u>16,275,347</u>	<u>12,195,848</u>
Total assets		<u>20,022,013</u>	<u>14,063,972</u>
Liabilities			
Current liabilities			
Trade and other payables	6	2,464,654	465,516
Provisions		101,432	93,730
Other current liabilities	7	2,487,272	-
Total current liabilities		<u>5,053,358</u>	<u>559,246</u>
Non-current liabilities			
Provisions		550,000	300,000
Total non-current liabilities		<u>550,000</u>	<u>300,000</u>
Total liabilities		<u>5,603,358</u>	<u>859,246</u>
Net assets		<u>14,418,655</u>	<u>13,204,726</u>
Equity			
Share capital - ordinary shares	8	130,712,074	127,044,347
Reserves		23,666	19,800
Accumulated losses		(116,482,496)	(113,859,421)
Equity attributable to the owners of Lakes Oil NL		14,253,244	13,204,726
Non-controlling interest		165,411	-
Total equity		<u>14,418,655</u>	<u>13,204,726</u>

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

Lakes Oil NL
Condensed statement of changes in equity
For the period ended 31 December 2018



Consolidated	Contributed equity \$	Share based payment reserve \$	Accumulated losses \$	Non Controlling Interest \$	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, net of transaction costs	4,092,017	-	-	-	4,092,017
Balance at 31 December 2017	<u>126,968,169</u>	<u>25,740</u>	<u>(112,946,684)</u>	<u>-</u>	<u>14,047,225</u>
Consolidated	Contributed equity \$	Share based payment reserve \$	Accumulated losses \$	Non Controlling Interest \$	Total equity \$
Balance at 1 July 2018	127,044,347	19,800	(113,859,421)	-	13,204,726
Loss after income tax expense for the period	-	-	(2,623,075)	(30,328)	(2,653,403)
Other comprehensive income for the period, net of tax	-	-	-	-	-
Total comprehensive income for the period	-	-	(2,623,075)	(30,328)	(2,653,403)
Recognition of NCI upon acquisition of Rawson Oil and Gas Limited	-	-	-	195,739	195,739
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 8)	3,667,727	-	-	-	3,667,727
Options issued	-	3,866	-	-	3,866
Balance at 31 December 2018	<u>130,712,074</u>	<u>23,666</u>	<u>(116,482,496)</u>	<u>165,411</u>	<u>14,418,655</u>

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

Lakes Oil NL
Condensed statement of cash flows
For the period ended 31 December 2018



	Note	Consolidated	
		31 December 2018	31 December 2017
		\$	\$
Cash flows from operating activities			
Receipts		36,377	5,500
Payments to suppliers and employees		(1,423,576)	(1,165,596)
Payments for exploration and evaluation costs		(230,845)	(129,523)
Interest received		3,732	2,262
Finance costs		-	(61,151)
		<u> </u>	<u> </u>
Net cash used in operating activities		(1,614,312)	(1,348,508)
Cash flows from investing activities			
Proceeds from trustee investments		-	8,725
Proceeds from disposal of property		318,182	406,080
Cash acquired on acquisition of Rawson Oil and Gas Limited		2,742,898	-
		<u> </u>	<u> </u>
Net cash from investing activities		3,061,080	414,805
Cash flows from financing activities			
Proceeds from issue of shares	8	350,000	3,893,875
Share issue transaction costs		(9,225)	(48,656)
		<u> </u>	<u> </u>
Net cash from financing activities		340,775	3,845,219
Net increase in cash and cash equivalents			
		1,787,543	2,911,516
Cash and cash equivalents at the beginning of the financial period		1,286,550	593,176
		<u> </u>	<u> </u>
Cash and cash equivalents at the end of the financial period		<u>3,074,093</u>	<u>3,504,692</u>

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 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 4, 100 Albert Road
South Melbourne VIC 3205

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 15 March 2019.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2018 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 2018 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.

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.

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.



Note 2. Significant accounting policies (continued)

AASB 9 Financial Instruments

The consolidated entity adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available. Changes in fair value are will continue being recorded through OCI, with the one-time election to record equity investments as such expected to be undertaken by the directors. Under AASB 9 the fair value gains/losses in relation to equity are not recycled to the Statement of Profit and Loss (even on disposal of the investment) and are not subject to impairment testing. The consolidated entity has assessed the impact of the standard and there was no impact on the carrying values of financial instruments.

AASB 15 Revenue from Contracts with Customers

The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity adopted this standard from 1 July 2018 and it did not have any impact as the company has no contracts with customers.



Note 2. Significant accounting policies (continued)

Amendments to AASBs and the new Interpretation that are mandatorily effective for the future reporting period:

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but no material impact is expected as the consolidated entity currently has no material leases.

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 and non-controlling interest for the period ended 31 December 2018 of \$2,623,075 (2017: \$1,121,453) and at reporting date has net assets of \$14,418,655 (30 June 2018: \$13,204,726) including \$15,642,523 (30 June 2018: \$11,195,486) of capitalised exploration, evaluation and development costs. The consolidated entity's working capital deficit, being current assets less current liabilities was \$1,306,692 at 31 December 2018 (30 June 2018: surplus \$1,308,878).

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 period the consolidated entity completed a one for five non-renounceable offer raising a total of \$2,080,467 before costs. The funds are intended to be used to fund the drilling of the Nangwarry #1 well along with ongoing working capital purposes.

The consolidated entity has prepared a detailed cash flow forecast which includes the assumption of capital raisings to the minimum amount of \$5 million which is anticipated to occur within five months to cover well costs and working capital requirements.

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;
- Sale or mortgage of property;
- 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; and
- 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.



Note 2. Significant accounting policies (continued)

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. Current assets - cash and cash equivalents

	Consolidated	
	31 December	
	2018	30 June 2018
	\$	\$
Cash at bank *	3,003,593	1,216,050
Cash on deposit	<u>70,500</u>	<u>70,500</u>
	<u><u>3,074,093</u></u>	<u><u>1,286,550</u></u>

*Through its takeover of Rawson Oil and Gas Limited and included in the figure for Cash at Bank is \$2,487,272, being Rawson's 50% interest in the Joint Operation with Vintage Energy Pty Ltd. This amount is restricted to be used only in the Joint Operation. It is not available to be used for other uses within the consolidated entity.

Note 5. Non-current assets - exploration and evaluation

	Consolidated	
	31 December	
	2018	30 June 2018
	\$	\$
Exploration and evaluation	67,551,539	62,938,989
Less: Provision for impairment	<u>(51,909,016)</u>	<u>(51,743,503)</u>
	<u><u>15,642,523</u></u>	<u><u>11,195,486</u></u>



Note 5. Non-current assets - exploration and evaluation (continued)

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 2018	11,195,486
Additions	68,687
Additions through Rawson acquisition	4,465,787
Provision for impairment	<u>(87,437)</u>
Balance at 31 December 2018	<u><u>15,642,523</u></u>

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 December 2016 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 2018. 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 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 6. Current liabilities - trade and other payables

	Consolidated	
	31 December 2018 \$	30 June 2018 \$
Trade and other payables	946,608	456,123
Other current liabilities	485,321	-
Payable to Innovation Science Australia *	1,021,141	-
Other payables	<u>11,584</u>	<u>9,393</u>
	<u><u>2,464,654</u></u>	<u><u>465,516</u></u>

Terms and conditions relating to the above financial instruments:

- (i) Trade creditors are non-interest bearing and normally are settled on 30 day terms.
- (ii) Other creditors are non-interest bearing and are settled on 30 to 90 day terms, following billing by suppliers.

*The amount noted above relates to a payable to Innovation Science Australia in relation to a prior research and development claim which has subsequently been rejected. The consolidated entity is rigorously defending its position and is currently appealing the rejection. Further information regarding the matter can be found in the contingent liability (note 10).



Note 7. Current liabilities - Other current liabilities

	Consolidated	
	31 December	30 June 2018
	2018	2018
	\$	\$
Deferred Government Grant	<u>2,487,272</u>	<u>-</u>

Through its takeover of Rawson Oil and Gas Limited, the Joint Operation in relation to PEL155 with Vintage Energy Limited was awarded \$4.95 million under the South Australian Government PACE gas scheme in December 2017. The consolidated entity's share of the unexpended Grant at 31 December 2018 was \$2,487,272. This amount will be used in the exploration and evaluation activities of PEL155 and is not repayable to the South Australian Government as long as the conditions set by the Government are met.

Note 8. Equity - Share capital - ordinary shares

	Consolidated			
	31 December	30 June 2018	31 December	30 June 2018
	2018	2018	2018	2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>30,645,475,141</u>	<u>28,776,319,346</u>	<u>130,712,074</u>	<u>127,044,347</u>

Movements in ordinary share capital

Details	Date	Shares	\$	
Balance	1 July 2018	28,776,319,346		127,044,347
Share issued to as part Rawson Oil and Gas Limited Off Market Takeover Bid	14 September 2018	1,365,579,780	\$0.0021	2,990,620
Share issued to as part Rawson Oil and Gas Limited Off Market Takeover Bid	09 October 2018	153,576,015	\$0.0021	336,331
Share placement	17 December 2018	350,000,000	\$0.001	350,000
Capital raising costs		-	-	(9,224)
Balance	31 December 2018	<u>30,645,475,141</u>		<u>130,712,074</u>

Note 9. Equity - dividends

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



Note 10. Contingent liabilities

During the prior year the consolidated entity was notified by Innovation Science Australia that the Research and Development Tax Incentive claim from the 2014 financial year had been rejected. The consolidated entity then lodged an internal review appeal with Innovation Science Australia. The internal appeal was upheld by Innovation Science Australia and as a result the consolidated entity lodged an application for a review with the Administrative Appeals Tribunal (AAT). The consolidated entity was required to file and serve any evidence with the AAT on or before 30 November 2018 (excluding any independent expert witness evidence) and file and serve any independent expert witness evidence on or before 11 January 2019 in relation to the proceedings. Innovation Science Australia is then required to file and serve any evidence on which it relies for the proceedings on or before May, 2019.

The consolidated entity is required to file and serve any evidence in reply to Innovation Science Australia's filings on or before 28 June 2019. After these events occur the AAT will set down a date for the hearing after which it will then hand down its findings in relation to the appeal.

During the period the consolidated entity received correspondence from the ATO adjusting the 2014 Research and Development Tax Incentive claim to zero meaning that the amount of the claim has to be repaid. Therefore the consolidated entity has recognised the amount within the financial statements as a payable (refer to note 6). In relation to any penalties the consolidated entity is unable to quantify any potential penalties associated with the amended claim at this time as the ATO has not made a determination.

Note 11. Commitments

	Consolidated	
	31 December	30 June 2018
	2018	2018
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	60,534
<i>Bank guarantees in relation to rental premises and exploration permits</i>		
Maximum amount bank may call	210,129	70,500
Total commitment	210,129	70,500
Less: Future finance charges	-	-
Net commitment recognised as liabilities	210,129	70,500



Note 11. Commitments (continued)

Exploration commitments

The consolidated entity retains interests in exploration tenements via direct ownership and participation in joint operations. To continue these interests a work program is maintained in each tenement for various periods up to five years. The work programs have minimum expenditure requirements and carry no formal commitments or legal obligations but are an indication of the tasks required to be completed to retain the permit.

The current financial commitment as at 31 December 2018 on the work programs across all tenements for the next 24 months is \$25.1m (30 June 2018: \$15.7m). Approximately \$15.2m of this commitment relates to our three Queensland licences.

The balance of the current financial commitment relates to annual rentals and applications for suspensions and extensions in relation to the entity's Victorian tenements, on the basis that the Victorian Government has not approved any exploration activities under our work programs since the imposition of its administrative moratorium in 2013. If Lakes' legal challenge to the legislative moratorium is successful, and Lakes is allowed to carry out its work program commitments, then our financial commitment across the Victorian permits will increase to \$115m.

The final cost to the consolidated entity is uncertain as it will be dependent on the extent of the works actually undertaken, the negotiated costs and whether or not the consolidated entity is able to secure contributions from other parties such as a farminee (A farminee is a joint operation partner who earns an interest in a tenement by funding the costs of appraisal, development or exploration).

Note 12. Events after the reporting period

On 15 January 2019, the consolidated entity issued 13,380,680 fully paid ordinary shares to Directors in lieu of outstanding Directors fees as approved by shareholders at the 2018 Annual General Meeting.

On 14 February 2019, the consolidated entity issued 23,380,680 fully paid ordinary shares to Directors in lieu of outstanding Directors fees as approved by shareholders at the 2018 Annual General Meeting in addition to shares issued to an employee of the consolidated entity.

On 22 February 2019, the consolidated entity announced the issue of 2,080,467,190 fully paid ordinary shares following applications received in relation to the non-renounceable entitlement offer which closed on 15 February 2019. The total subscriptions amounted to \$2,080,467 (before costs).

On 14 March 2019, the consolidated entity issued 13,380,680 fully paid ordinary shares to Directors in lieu of outstanding Directors fees as approved by shareholders at the 2018 Annual General Meeting.

No other matter or circumstance has arisen since 31 December 2018 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. Loss per share

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Loss after income tax	(2,653,403)	(1,121,453)
Non-controlling interest	30,328	-
Loss after income tax attributable to the owners of Lakes Oil NL	<u>(2,623,075)</u>	<u>(1,121,453)</u>



Note 13. Loss per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>29,673,761,876</u>	<u>25,341,487,493</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>29,673,761,876</u>	<u>25,341,487,493</u>
	Cents	Cents
Basic loss per share	(0.009)	(0.004)
Diluted loss per share	(0.009)	(0.004)

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 2018



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 2018 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

15 March 2019

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 were engaged to review 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 2018, 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 in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. However, because of the matters described in the *Basis for Disclaimer of Conclusion* section of our report, we were not able to obtain sufficient appropriate evidence to provide a basis for a review conclusion on the financial report.

Independence

We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* “the Code” that are relevant to our review of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Disclaimer of Conclusion

We were engaged to perform a review, which is not an audit, of the Group, which comprises the condensed consolidated statement of financial position as at 31 December 2018, condensed consolidated statement of comprehensive income, condensed statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date. Because of the significance of the matters described in the *Basis for Disclaimer of Conclusion* section of our report, we have not been able to obtain sufficient appropriate evidence to provide a basis for a review conclusion on the financial 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.**

Basis for Disclaimer of Conclusion

The Group's ability to continue as a going concern is dependent on obtaining additional funding. As at the date of this report the Group has been unable to secure unconditional commitments to provide sufficient funding to ensure the Group is a going concern. As described in Note 2 Going Concern, the Directors believe that the Group will secure sufficient funding, however, at the date of this auditor's report the Group and its Directors have been unable to provide sufficient evidence of unconditional committed funding for the cash requirements of the Group for the twelve months from the date of this auditor's report. We have been unable to obtain alternative evidence which would provide sufficient appropriate audit evidence as to whether Group may be able to obtain such financing or be successful with alternative measures, and hence remove significant doubt of its ability to continue as a going concern within twelve months of the date of this auditor's report.

As a result of these matters, we were unable to determine whether any adjustments might have been found necessary should the Group not be able to continue as a going concern in respect of revenue, expenses and assets, and the elements making up the condensed consolidated statement of financial position, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows. Consequently, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business should it not be able to raise sufficient funds required.



B POWERS
Partner

15 March 2019



PITCHER PARTNERS
Melbourne