



Lakes Oil NL

ABN 62 004 247 214

Annual Report - 30 June 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
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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 are listed on the Australian Securities Exchange (ASX code: LKO and LKOGB)
Website	www.lakesoil.com.au
Corporate Governance Statement	The Company's 2017 Corporate Governance Statement has been released to ASX on 28 September 2017 and is available on the Company's website.



LETTER FROM THE CHAIRMAN

Dear Shareholder

When I wrote in last year's Annual Report, I expressed disappointment that Lakes Oil was in a position of being unable to carry out exploration activity within its onshore Victorian exploration acreage. Sadly, for both Lakes Oil and the people of Victoria, little has yet changed on that front. The last year was, for your Company, its most challenging since its re-listing in 1985, with almost desperate steps having to be taken to ensure survival. For the people of Victoria, the last year was one in which the consequences of the Government's onshore exploration ban have started to bite, with energy prices skyrocketing, industry competitiveness under threat, energy supplies at risk and massive Royalty income forgone.

Shareholders will appreciate that it has now been 5 years since Lakes Oil has been able to undertake exploration activity in Victoria. That is 5 years during which underlying costs, like office space, core-staff and exploration licence fees have still been incurred. It is also 5 years of lost time in terms of bringing much needed, competitively-priced gas to market. At the time of introduction of the onshore exploration bans Lakes Oil was, and still is, ready to move to commercial production of gas from the Wombat gasfield, in Gippsland, and from the Otway-1 gas well. The Company's preparedness to do this was the culmination of almost 30 years and \$100 million worth of exploration activity onshore in Victoria.

Despite the outstanding potential of the Lakes Oil's Victorian exploration portfolio, five years of inactivity took its toll and, during the last year, the Company was taken to the brink of survival. It was only through successful implementation of tough corporate initiatives, particularly the acquisition of Navgas Pty Ltd from Dark Horse Resources Limited, that survival was ensured. It is fitting that I acknowledge the fierce support of Non-Executive Director, Nick Mather, who is himself involved with both Dark Horse (now the Company's single largest shareholder) and DGR Resources Limited (which has provided, and continues to provide, financial support to the Company), for these corporate initiatives. His belief in and personal commitment to the potential of your Company stand as a strong symbol for what we hope lies ahead.

Looking ahead, we are increasingly confident of success in legal proceedings underway against the Victorian Government. While the Government enacted legislation in early 2017 in an attempt to give force of law to its onshore exploration ban and to retrospectively avoid liability for damages caused by its actions, it has emerged that the legislation is not intended to cover existing onshore exploration commitments, like those of Lakes Oil. At the time of writing this letter, proceedings to finally establish that this is the case are still several months away, even though Government's own Defence in the legal proceedings concedes that the Company's interpretation is correct. Once these matters are settled, it is the Company's expectation that it will be able to resume onshore, conventional exploration activities, paving the way for a quick transition to production and income generation.

In addition to the Wombat and Otway-1 prospects referred to above, the Company proposes to drill two proof-of-concept wells at its Portland Energy Project. The scale of this project, with an initial 3 trillion cubic feet of low-cost gas estimated to be recoverable by conventional means, means it will be a 'game-changer' not just for Victoria, but for southeastern Australian states generally.

Further afield, and as a complement for its Victorian exploration activity, the Company has identified numerous compelling oil and gas exploration opportunities within its Queensland exploration tenement ATP 1183, which was acquired in January 2017 through purchase of Navgas Pty Ltd. The Queensland exploration opportunities are highly prospective, with almost 40% of exploration wells drilled on structure being historically successful, and capable of quick commercialisation, with processing and pipeline infrastructure in close proximity.

In consideration of the challenges of the last few years and the opportunities that lie ahead, I am hopeful that 2018 will mark the beginning of a new and successful era for Lakes Oil. What hasn't killed us has made us stronger!

Finally, I would like to thank Lakes Oil's small but dedicated staff, and my fellow Directors, for their continued input during challenging times. I also again thank all Shareholders for your patience and support. While patience is undoubtedly wearing thin, we continue to receive calls in support of our action against the Victorian Government and expressing confidence in the long term outlook for the Company.

Chris Tonkin
Chairman



Exploration and Corporate Operations Report

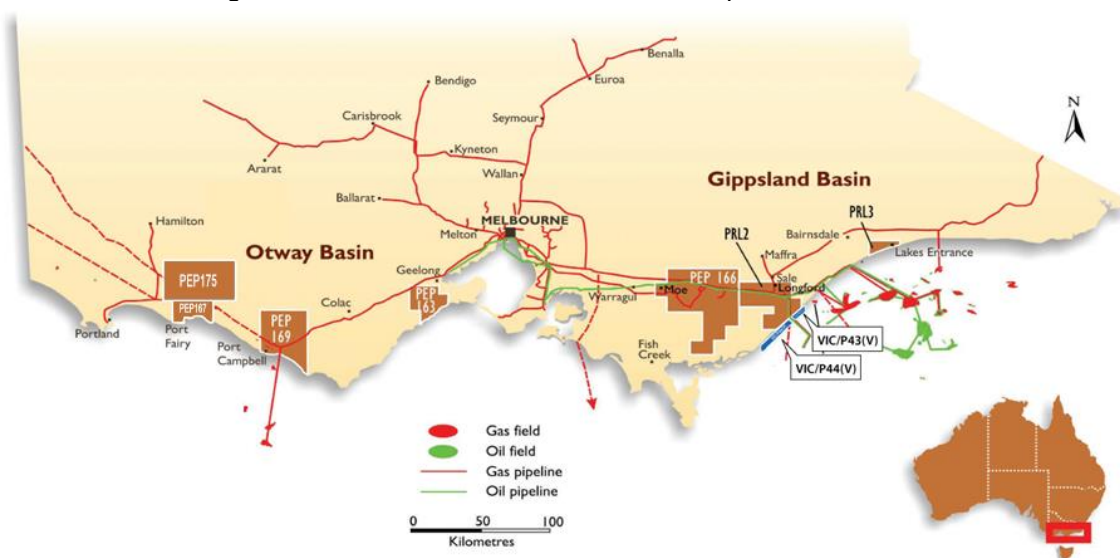
1. Exploration

Lakes Oil holds petroleum and mineral exploration rights in Victoria, Queensland, South Australia and the United States of America. Owing to the impact upon the Company of the Victorian Government's onshore Victorian exploration ban, it was not possible to carry out any exploration activity during the year. Further information regarding the Victorian exploration ban is provided in section 2 of this report, while information regarding the Company's exploration portfolio is provided below.

i) Victoria

Lakes Oil has tenure to the most prospective of Victoria's onshore petroleum exploration acreage, and is poised to move quickly to commercial production of natural gas for the benefit of Victoria, and south-eastern Australia more generally, as soon as the Victorian onshore exploration restrictions are overturned or renounced.

Figure 1: Lakes Oil's Victorian Petroleum Exploration Interests



Petroleum Retention Lease 2 (PRL2):

Lakes Oil has 100% interest in PRL2, with the exception of the Trifon and Gangell blocks where Lakes Oil has a 57.5% interest and Jarden Corporation Australia Pty Ltd has a 42.5% interest. Armour Energy Limited has a right to earn a 15% interest in PRL2 subject to agreement being reached regarding a \$10m programme of exploration work to be undertaken by Armour. Armour Energy earned this farm-in right through exercise of an entitlement to match farm-in rights previously held by Beach Energy Limited and Somerton Energy (now Cooper Energy) Limited. Beach and Somerton withdrew from the farm-in agreement in August 2013, at which time they had a right to earn a net 15% interest in PRL2 by funding a \$10m programme of work. Since performance of the originally agreed programme of work is no longer possible (owing to the Victorian Government's permanent ban on fracking) a new programme will need to be agreed if the farm-in is to proceed. Armour Energy's intentions are not presently clear, and the parties have therefore reserved their rights in relation to the possible farm-in.

While exploration activity is not presently possible within PRL2, Lakes Oil has made preparations for and has sought approval to undertake two important developments within PRL2. The first of these is drilling of the Wombat-5 well, a conventional directionally-drilled well that is to target the upper, more permeable section of the massive Strzelecki Formation. Based upon independent modelling Lakes Oil is optimistic that the Wombat-5 well will flow gas at a rate of around 10 TJ/d, rendering both the well and the Wombat gas field commercial.

Given the onshore location of the Wombat gasfield, close to existing gas pipeline infrastructure, the gasfield could be brought on line quickly (circa 18 months) and at low cost. With a gas production potential of around 20 PJ/a, development of the Wombat gas field could provide quick relief for both the present Victorian gas supply shortfall and the high gas prices that have resulted from it. Drilling of the Wombat-5 well is a compelling initiative that will be undertaken by the Company immediately the Victorian exploration ban is overturned or renounced.



The second proposed development within PRL2 involves insertion of a pump into the existing Wombat-3 well to test that well's potential for production of oil, evidence of which was seen when the well was drilled. This initiative is also ready for immediate implementation.

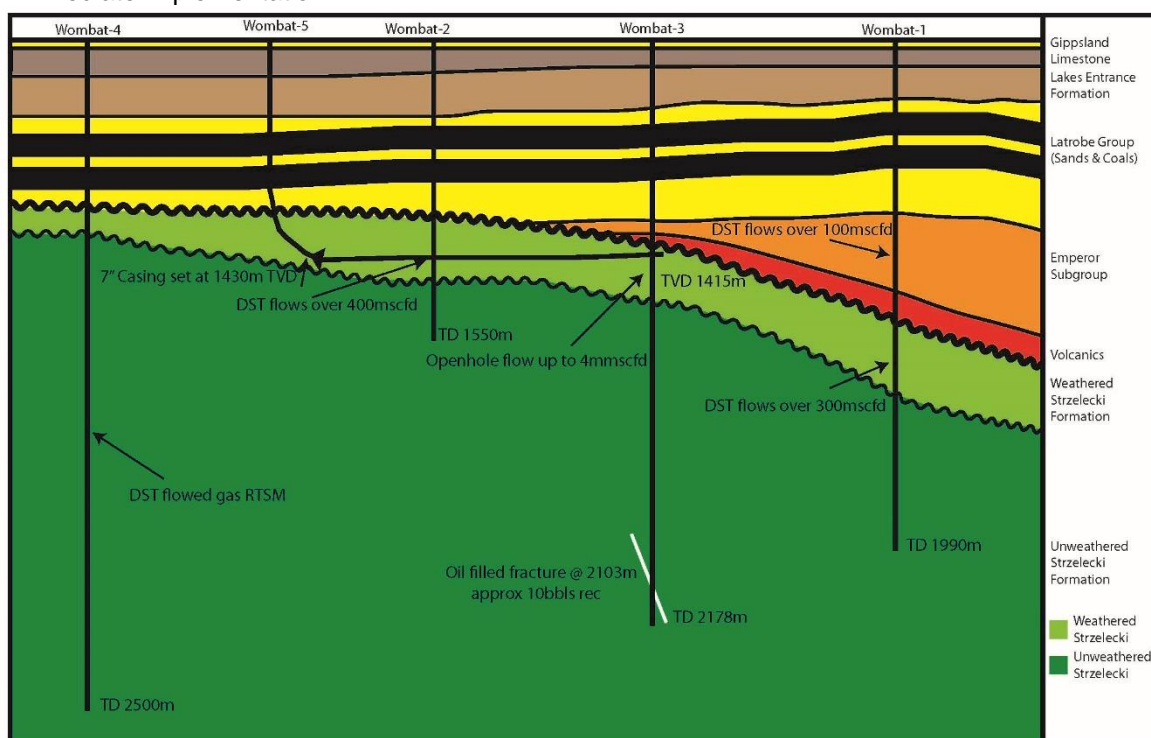


Figure 2: Schematic Cross-Section Across the Wombat Field Showing the Existing Wells and Proposed Wombat-5

Petroleum Retention Lease 3 (PRL3):

Lakes Oil has a 100% interest in PRL3. As a consequence of the Victorian Government's onshore exploration ban, no exploration activity was undertaken within PRL3 during the financial year and no work is planned.

Petroleum Exploration Permit 166 (PEP166):

Lakes Oil has a 75% interest in PEP166 with Armour Energy holding the remaining 25% interest. As a consequence of the Victorian Government's onshore exploration ban, no exploration activity was undertaken within PEP166 during the financial year and no work is planned.

Petroleum Exploration Permit 169 (PEP169):

Lakes Oil has a 49% interest in PEP166 with Armour Energy Limited holding the remaining 51% interest. Operatorship of the permit has been delegated by Armour Energy to Lakes Oil. As a consequence of the Victorian Government's onshore exploration ban, no exploration activity was undertaken within PEP169 during the financial year.

The Company has plans to drill the Otway-1 well, a conventional well to be located adjacent to, but on the opposite side of a fault from, the Iona Gas Field. The well will be drilled to a depth of 1,500 metres and will target both the Warre Sands and the Eumeralla Formation. The Warre Sands are the basis of historic gas production from the Iona Gasfield and, at the Otway-1 location, are uplifted relative to the Iona Gasfield. While the deeper Eumeralla Formation has not historically been developed for gas production it is considered to be highly prospective and is a key target of the Otway-1 well. This is because, wherever that Formation has been historically penetrated, it has been gas charged and, at nearby locations, has historically flowed gas at commercial rates.

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Figure 3: Location of Proposed Otway-1 Gas Well

The Company will be able to drill the Otway-1 well as soon as requisite approvals are received. Given the wells location, adjacent to existing gas processing facilities, it can be brought on line immediately to contribute to relieving the present Victorian gas supply shortfall and the consequent high gas prices that are a burden on households and a threat to industry competitiveness.

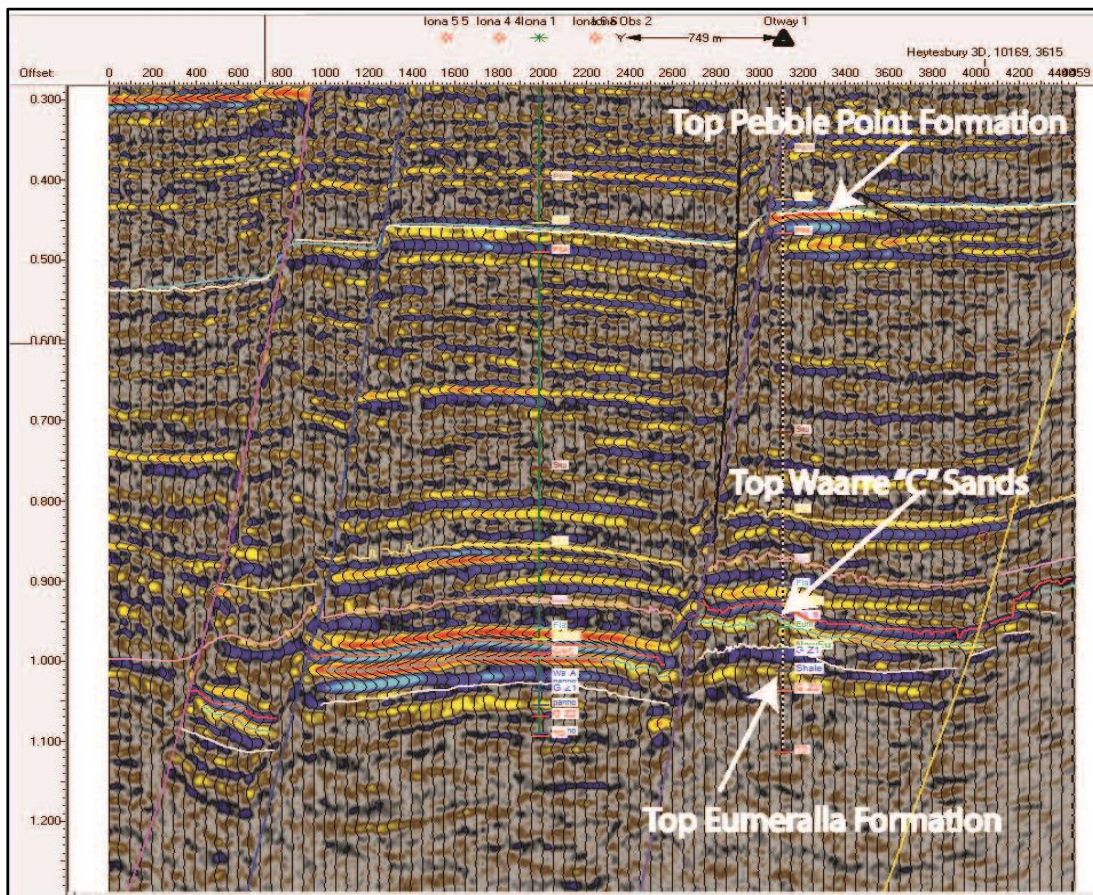


Figure 4: Seismic Cross-Section Showing Proposed Otway-1 Location and Target Reservoirs

Petroleum Exploration Permit 163 (PEL163):

Lakes Oil has a 100% interest in PEP163. As a consequence of the Victorian Government's onshore exploration ban, no exploration activity was undertaken within PEP163 during the financial year and no work is planned.

The Company was prepared to consider relinquishment of PEP163 pursuant to special provisions set out the *Resources Legislation (Fracking Ban) Act 2017* (see section 2 of this report for more information). However, the Victorian Government has not yet expressed any interest in this prospect.

Petroleum Exploration Permits 167 and 175 (PEP167, PEP175):

Lakes Oil has a 100% interest in PEP167 & PEP175, which were acquired in September 2014 and form the basis of the company's 'Portland Energy Project'. The Portland Energy Project is based upon a Focus Area in the southwestern corner of PEP175, to north of Port Fairy, selected for investigation in view of the availability of historic seismic and drilling data, and the potential for production of gas by conventional means. As is evident in Figure 3, there has been considerable historic drilling activity in and around the focus area, all of which has confirmed beyond doubt the presence of natural gas within the thick Eumeralla Formation. While gas was demonstrated to exist, the potential for its production was not historically tested since the search, at that time, was for oil, there was no market available for gas and no gas pipeline infrastructure was present. These circumstances have of course now all changed. Pipeline infrastructure is available and the Victorian gas market (indeed the eastern Australian gas market) is desperate for increased supplies of gas to curtail prohibitive gas price increases.



Figure 5: Portland Energy Project

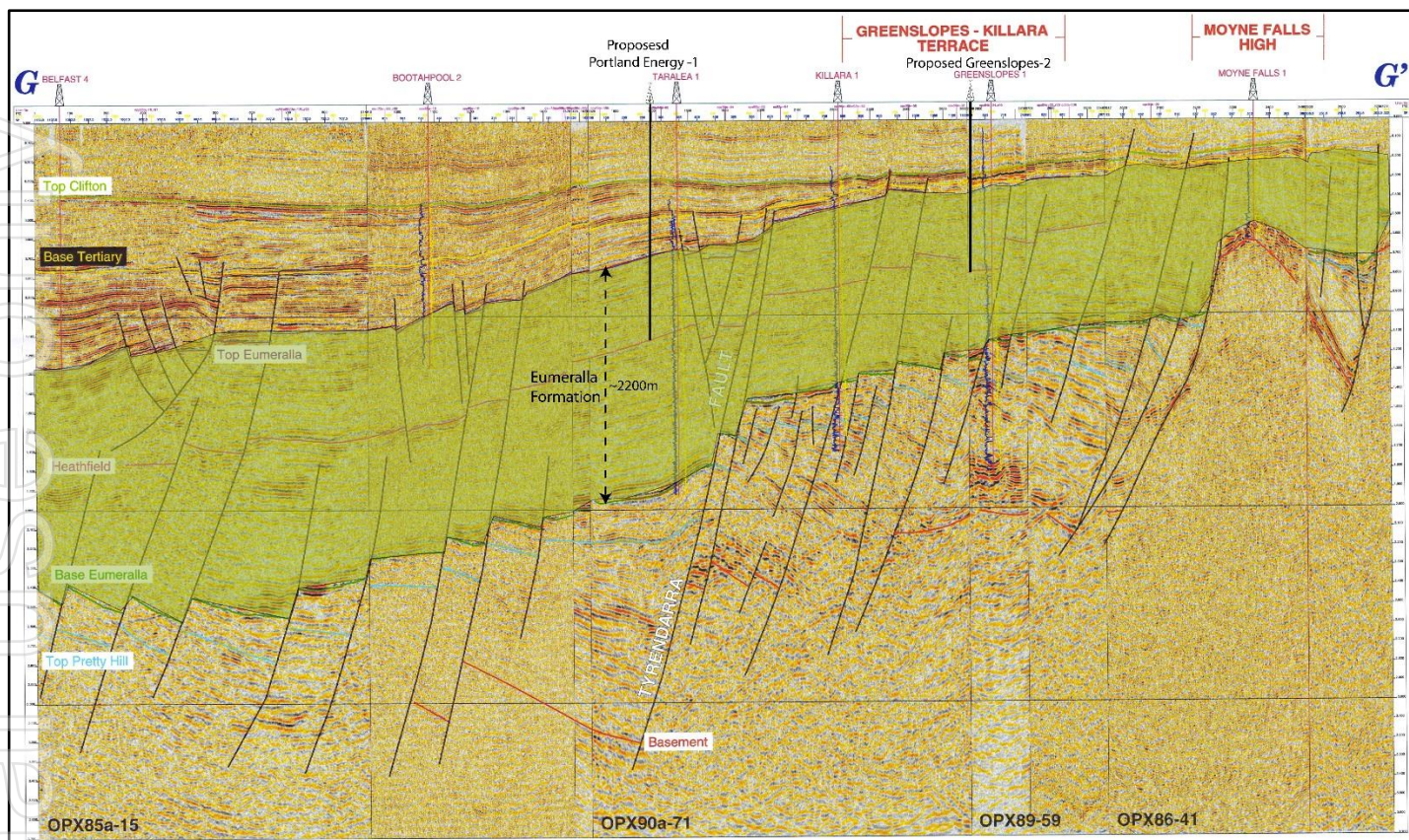


Figure 6: Composite Seismic Line Running Through the Proposed Portland Energy-1 & Greenslopes-2 Well Locations

With independent expert assistance, the company has identified preferred locations for drilling of two proof-of-concept wells, Greenslopes-2 and Portland Energy-1. Both wells are to be conventional wells, drilled to a depth of around 1,500 metres with the specific purpose of demonstrating that gas can be produced by conventional means from the Eumeralla Formation.

Lakes Oil has commissioned independent assessments that confirm the gas-in-place potential of the Eumeralla Formation. The estimated (50% probability) gas resource of the Focus Area is 11.4 trillion cubic feet, of which the Company considers around 3 trillion cubic feet should be recoverable by conventional means. The Portland Energy Project has the potential to fundamentally change the landscape of gas supply into the eastern Australian gas market.

Source of Estimate: "Independent Specialist Report on the petroleum assets of Navgas Pty Ltd and Lakes Oil NL", SRK Consulting (Australasia) Pty Ltd, December 2016.

The Company is not aware of any new information or data that materially affects the information included in the relevant market announcement and confirms that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Petroleum Exploration Permits VIC/P43(V) and VIC/P44(V):

Lakes Oil has a 100% interest in these Gippsland Basin permits, which are located offshore in Victorian waters. Both permits are considered to have potential for production of oil and gas. Airborne gravity data and seismic mapping indicate that offshore structuring within VIC/P43(V) is continuous with that of the Wombat Field, onshore in PRL2.

Lakes Oil has a commitment to carry out seismic work within VIC/P43(V) and VIC/P44(V). Although offshore exploration activity is not prohibited, in the interest of cost management Lakes Oil does not envisage carrying out seismic work until the work can be coordinated with other, onshore activities.



ii) Queensland

Petroleum Exploration Permit ATP 1183

Lakes Oil acquired 100% ownership of Queensland ATP 1183 on 18 January 2017. The tenement is highly prospective for oil, gas and condensate discoveries, and is within close proximity of established production facilities and infrastructure. The tenement area itself surrounds the Riverslea Oil Field and Major Gas/Condensate Field.

The Company has undertaken extensive review of exploration prospects within the permit area and a number of compelling exploration opportunities, as outlined below, have been identified. Drilling of the prospects will proceed when funding permits.

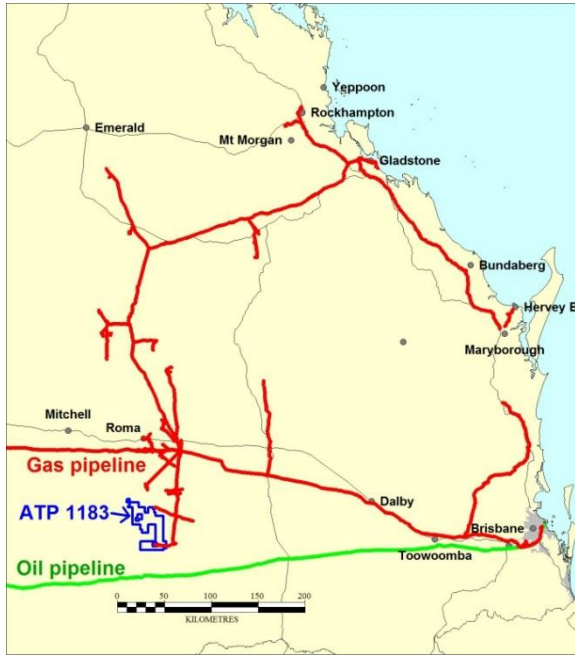


Figure 7: ATP 1183 Location Map

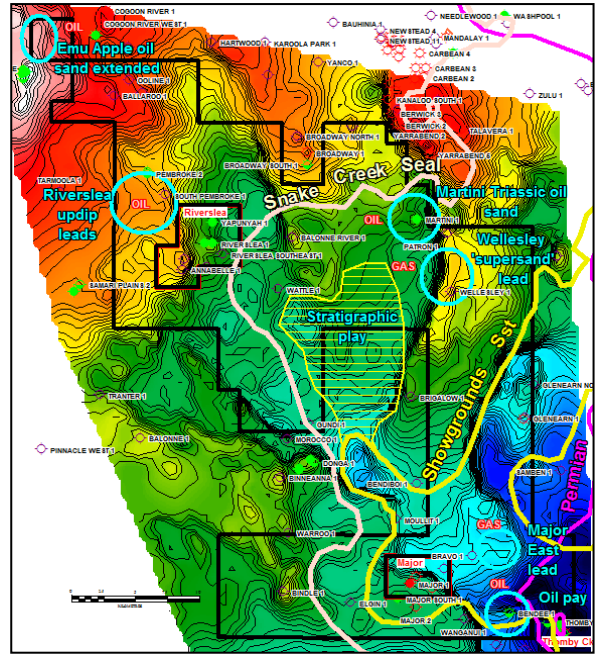


Figure 8: ATP 1183 Structural Contour Map Showing Leads

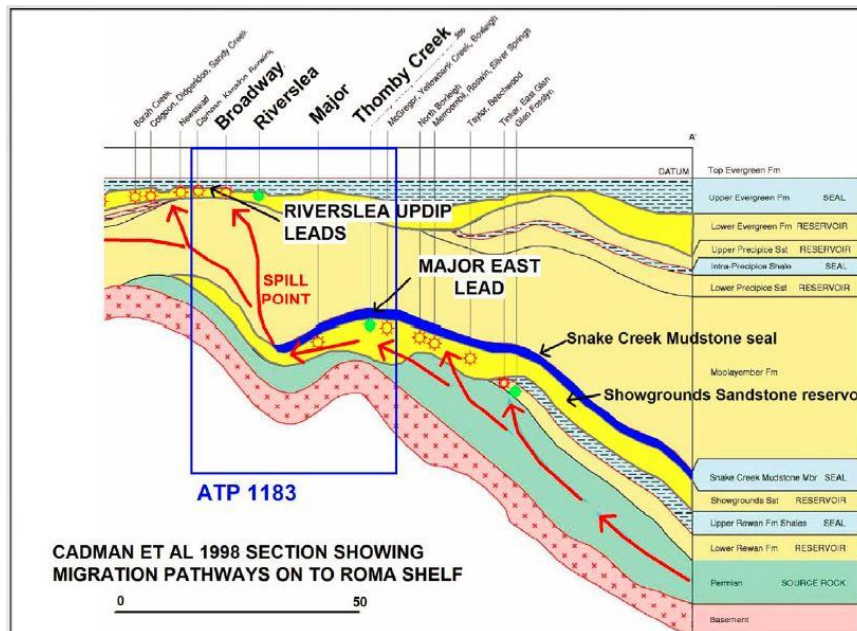


Figure 9: Schematic Cross-Section Through ATP 1183

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- *Wellesley Dome*

The Wellesley Dome is a fault bound, three way dip closure approximately 4.4km² in area, lying on the Kincora-Yarrabend-Wellesley High to the south of the productive Kincora Gas Field.

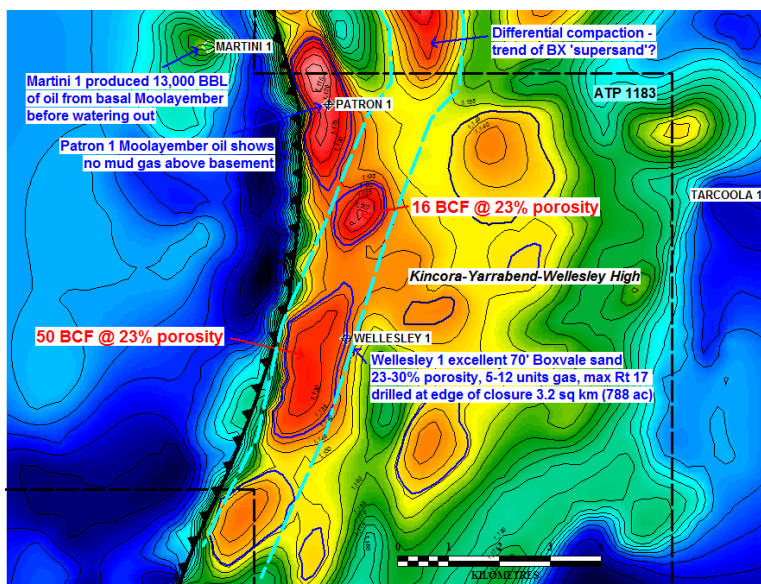


Figure 10: Wellesley Dome

A well (Wellesley-1) drilled by BHP in 1979 intersected in excess of 20 metres of thick clean Boxvale Sand. Although the well had fair gas shows and good porosity (average 28%) it was at the time not considered to be of commercial interest. Apart from the Wellesley-1 well, the extensive Wellesley Dome prospect is underexplored. With modern production techniques and at prevailing gas prices, the Company considers the Wellesley Dome to be a compelling exploration opportunity.

The Company proposes to drill an exploration well 880 metres southwest of Wellesley-1 to a depth of around 1,600 metres.

The Wellesley Dome has a prospective gas resource of 41 BCF (*This is a best estimate prepared on a deterministic basis. It is sourced from page 17 of "Independent Specialist Report on the petroleum assets of Navgas Pty Ltd and Lakes Oil NL", SRK Consulting (Australasia) Pty Ltd, made public in December 2016. The Company is not aware of any new information or data that materially affects the information included in the relevant market announcement and confirms that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.*)

- *Emu Apple North*

The Emu Apple North prospect comprises the northern extension of the Emu Apple oilfield, an oilfield recently brought back into commercial production by Armour Energy Limited.

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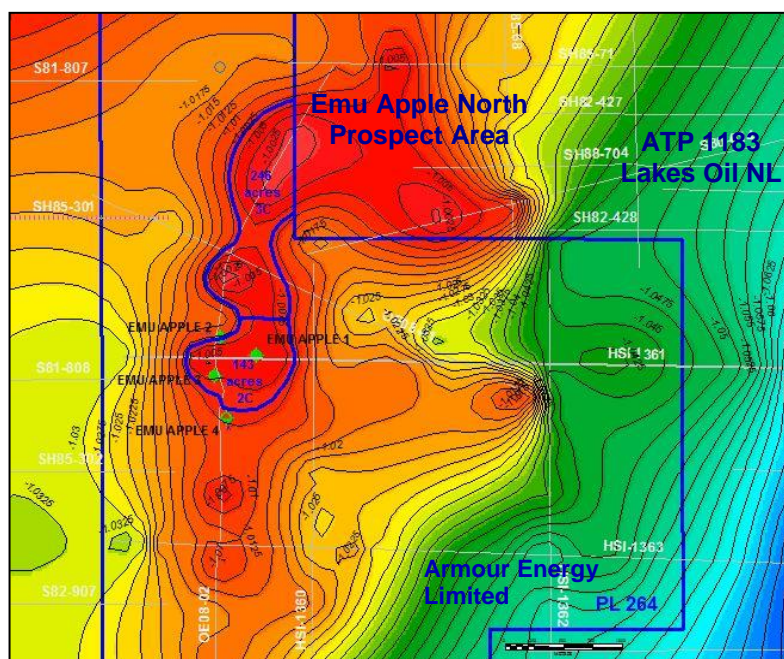


Figure 11: Emu Apple North Prospect

The prospect is a broad, low relief, anticlinal structure separated by a small saddle from the main Emu Apple Field. The entire Emu Apple area has been charged with hydrocarbons from Permian source rocks to the southeast.

The Hutton Sandstone and Boxville Sands, both of which are productive in the Emu Apple-3 well, are the main reservoir targets. The reservoir units will be intersected at shallow depths, between approximately 1350 and 1430 metres, which means drilling the Emu Apple North prospect will be low cost. The Company's proposed well location is readily accessible by existing road infrastructure and is close to Armour's Emu Apple production facilities (meaning any discovery can be quickly developed).

The Emu Apple North prospect covers an area of approximately 382 acres and is estimated to hold up to 3.4 million barrels of oil (*This is a best estimate prepared on a deterministic basis. It is sourced from page 17 of "Independent Specialist Report on the petroleum assets of Navgas Pty Ltd and Lakes Oil NL", SRK Consulting (Australasia) Pty Ltd, made public in December 2016. The Company is not aware of any new information or data that materially affects the information included in the relevant market announcement and confirms that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.*)

- **Bendee Prospect**

The Bendee Prospect is a four-way dip closure located just to the west of the producing Thomby Creek Oil Field. An historic (Bendee-1) well flowed oil and water to surface, demonstrating that the structure contains oil. However, using currently available data the Company has identified that the Bendee-1 well was drilled on the edge of closure, at the level of gas water contact. Considerable up-dip potential exists.

The Bendee Prospect covers an area of approximately 2 square kilometres and could contain approximately 1 million barrels of oil (*This is a best estimate prepared on a deterministic basis. It is sourced from page 17 of "Independent Specialist Report on the petroleum assets of Navgas Pty Ltd and Lakes Oil NL", SRK Consulting (Australasia) Pty Ltd, made public in December 2016. The Company is not aware of any new information or data that materially affects the information included in the relevant market announcement and confirms that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.*)

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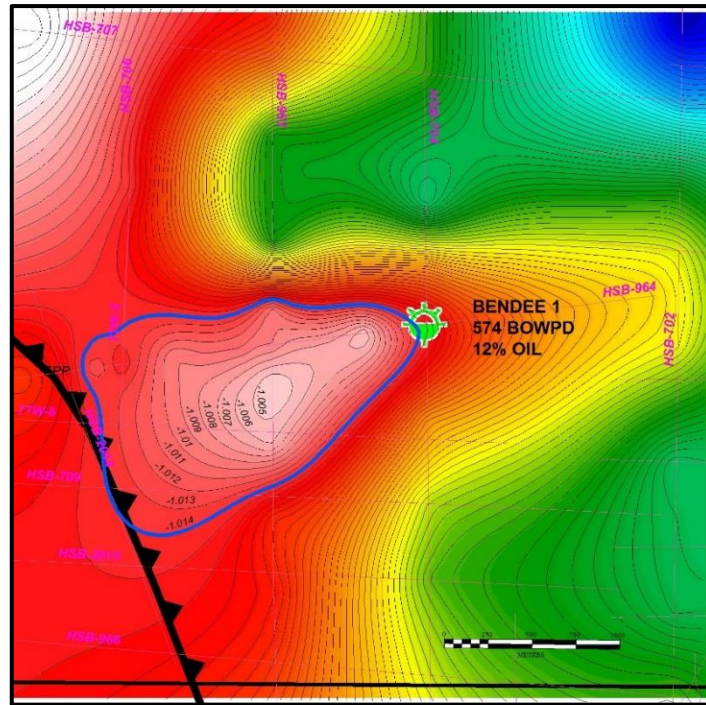


Figure 12: Bendee Prospect

- Major East Lead

The Major East Lead is four way dip closure approximately 5km² in area, located to the east of the producing Major Gas Field.

The Major East Lead has a prospective gas resource of 13.8 BCF (This is a best estimate, determined by Mr Peter Bubendorfer, Exploration Adviser to Navgas Pty Ltd, who is an AAPG member, qualified in accordance with the requirements of ASX Listing Rule 5.42, and who has consented to the use of the estimate in the form and context in which it appears in this report. The estimate was finalised on 3 February 2015 and was published on the ASX Announcements Platform by the Navgas Pty Ltd then owner Dark Horse Resources Limited (known at that time as Navaho Gold Limited). The Company is not aware of any new information or data that materially affects the information included in the relevant market announcement and confirms that all the material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.).

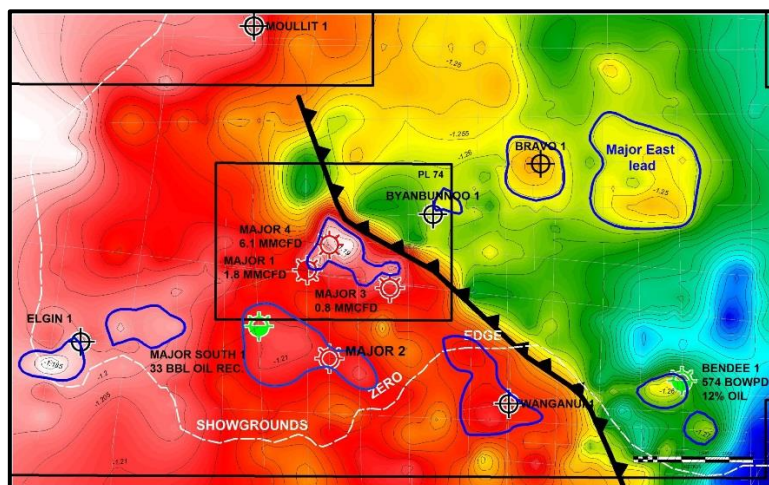


Figure 13: Major East Lead



Petroleum Exploration Permits ATP 642P and ATP 662P:

Lakes Oil has 100% interest in ATPs 642P and 662P, located on the northern flank of the Cooper and Eromanga Basins, roughly 400 km south of Mt Isa. While these permit areas are relatively underexplored, with limited seismic data and no exploration wells, they are well positioned relative to hydrocarbon migration pathways. The company is presently seeking a joint venture partner for pursuit of these opportunities.

iii) South Australia:

Pirie Torrens Oil and Gas Project

Lakes Oil acquired 100% ownership of six South Australian Petroleum Exploration Licence Applications (PELAs), covering an area of approximately 53,000 square kilometres, on 18 January 2017.

Petroleum exploration activities in the general area of the South Australian PELAs first commenced in 1956, when Santos was established to drill for oil at Wilkatana. That work, and subsequent drilling by other companies, demonstrated the presence of oil and gas across the area of interest.

Lakes Oil proposes to review and reprocess historic data, including more recent seismic information gathered by Geoscience Australia, and to investigate potential for drilling of a stratigraphic core hole to further geological knowledge of the basin. Of particular near-term interest to the Company are:

- the potential for oil production to the north of Wilkatana (in an area of closure, associated with the Torrens Hinge Zone, that can be identified on modern seismic data but which has not yet been drilled); and
- the potential for production of gas from the Tindelpina Shale, which has been demonstrated to contain gas but not explored using modern techniques.

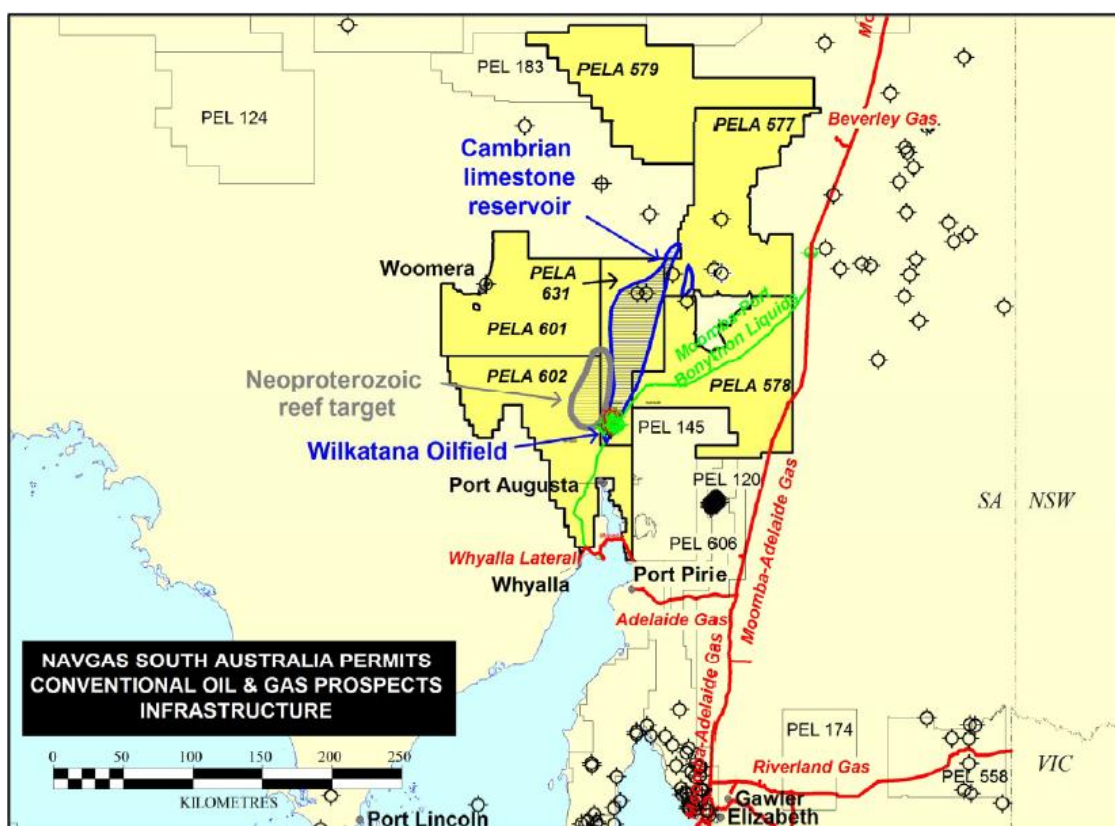


Figure 14: South Australian Licence Application Areas

Mingoola Gold Pty Ltd

On 1 May 2017, Lakes Oil completed the acquisition of Mingoola Gold Pty Ltd, which holds five South Australian mineral exploration tenements that overlap parts of the Company's South Australian Petroleum Exploration Licence Applications. Information from mineral exploration activities may be of material value in assessing the potential of the PELAs. The Company is investigating which of the mineral exploration tenements offer the best prospects for success



in order to both prioritise exploration expenditure and to determine which, if any, tenements might be selectively relinquished.

iv) United States: Eagle Prospect, Onshore California, USA

Lakes Oil has a 17.97% interest in the Eagle Prospect, which is operated by Strata-X Inc. Oil was successfully produced from the Mary Bellochi-1 well until mechanical problems led to a loss of production. Drilling of a further well (Shannon-1, adjacent to Mary Bellochi-1) is proposed but not yet confirmed. Lakes Oil is reviewing its ongoing interest and involvement in the Eagle Prospect.

v) Other Involvements

Through its wholly owned subsidiary, Commonwealth Mining Pty Ltd, Lakes Oil also held an interest in three Victorian coal exploration leases (ELs 5333, 5334 and 5394). No exploration activities were undertaken within the leases during the financial year. Post year end the leases were relinquished as they were considered to be non-core.

2. Operations

From a corporate perspective, 2016-17 was a year of challenge for Lakes Oil, with the Company fighting for survival to protect the interests of its more than 11,000 long-standing Shareholders. Key prerogatives for the year are outlined below.

i) Legal Action Against Victorian Government

Following the Victorian Government's 30 August 2016 announcement that it would permanently ban fracking and would extend until at least 30 June 2020 the ban on all onshore petroleum exploration, on 27 October 2016 Lakes Oil (through its relevant subsidiaries Mirboo Ridge Pty Ltd and Petro Tech Pty Ltd) acted to protect its shareholders' interests and rights by initiating legal proceedings against the Government.

The initial focus of the legal proceedings was by way of an application for Judicial Review of the Victorian Minister for Resources' various decisions to:

- pre-emptively refuse to consider or accept any application for approval to conduct petroleum exploration operations onshore in Victoria; and
- refuse to consider the Company's specific applications for approval to conduct petroleum exploration operations.

After further consideration of the Company's rights and entitlements, on 6 December 2016 further, civil proceedings were initiated in the Supreme Court of Victoria. The further proceedings asserted that the actions of the Minister for Resources constituted a 'derogation from grant' in that the Minister was, with one hand, granting exclusive rights and obligations to carry out exploration operations but, with his other hand, taking away the means of doing so. Damages of \$2.7 billion, including \$92 million of past expenditure and \$2.6 billion of lost future earnings, were sought.

The Judicial Review and the civil (derogation from grant) proceedings were combined into one proceeding by way of an Amended Statement of Claim filed by the Company with the Supreme Court on 27 February 2017.

In early 2017 the Victorian Government introduced the *Resources Legislation (Fracking Ban) Bill* to Parliament. The Bill passed through both houses of Parliament and become law on 16 March 2017. The key features of the *Resources Legislation (Fracking Ban) Act 2017 (Fracking Ban Act)* are:

- the Act permanently bans hydraulic stimulation (fracking);
- the Act prohibits any onshore petroleum exploration operations from being carried out during a moratorium period to 30 June 2020, although the prohibition does not apply to obligations under existing exploration permits and



also (incongruously) does not apply to onshore exploration operations that target an offshore petroleum accumulation;

- the Act attempts to retrospectively absolve the Government from any liability for payment of compensation for damages caused by both future or past refusals to allow exploration activity in accordance with valid exploration permits; and
- provision is made for a six month period (until 16 September 2017) during which exploration permit holders may surrender exploration permit(s) in exchange for payment of an amount determined by the Minister for Resources by Order published in the Government Gazette. No Order was published by the Minister.

Having enacted the Fracking Ban Act, the Victorian Government sought to rely upon that Act in defence of Lakes Oil's legal proceedings. On 2 May 2017 the Victorian Government Solicitor filed an application to have the Company's legal proceedings summarily dismissed (that is, thrown out of Court).

In response to the above, on 14 June 2017 the Company filed a Further Amended Statement of Claim to recognise the existence of the Fracking Ban Act (which was of course not in place when proceedings were initiated). The Further Amended Statement of Claim pointed out that the Fracking Ban Act does not empower Government to refuse to allow exploration companies to fulfil pre-existing obligations and commitments. Rather, the Act provides that existing obligations and commitments are not subject to the exploration moratorium.

The Victorian Government conceded that the Company's assertion was correct and, on 13 July 2017, withdrew its application for summary dismissal of proceedings. On 21 July 2017 the Victorian Government filed its Defence. The essence of the Defence is that, while existing obligations and commitments are not subject to the moratorium, those obligations and commitments have been separately suspended, and the term of permits correspondingly extended.

The legal proceedings are scheduled to be heard in the Victorian Supreme Court on 11 March 2018.

ii) Victorian Gas Program

In May 2017 the Victorian Government announced it would be undertaking the "Victoria Gas Program". At a cost of \$42.5 million, the State's Lead Scientist, Amanda Caples, will supervise the Program together with a stakeholder panel. The Program will reportedly investigate the impacts, risk and potential benefits of onshore conventional gas exploration and development, as well offshore prospectivity and options for gas storage and will include geoscientific, environmental and economic studies.

Despite being Victoria's most advanced and most knowledgeable onshore petroleum exploration company, Lakes Oil has not been invited to participate in the Program or the stakeholder panel. Nonetheless, the Company has offered its full support for the study, including open access to the wealth of data amassed over more than 30 years of onshore exploration activity. Since much, if not most, of the material that it is understood will be required by the study is already in existence, the Company hopes that ready access to such material will allow the Program to be expedited and the State's onshore petroleum resources quickly brought on line for the benefit of all Victorians.

The need for early, effective action is obvious, with daily publicity highlighting cost pressures being felt by householders and business as gas and electricity prices skyrocket and industry competitiveness is threatened, with a heightened risk of job losses and interruptions to energy supply being the norm. Unlocking the State's high-quality, low-cost onshore gas resources can bring an end to these problems, with gas also being the ideal fuel for despatchable electricity generation as a back-up for renewables. Added to this, gas produced from onshore Victorian sources will generate Royalty income for the State, for landowners and for regional communities. Lakes Oil supports the concept of royalties for landowners and regions.

iii) Corporate Initiatives and Capital Raisings

On 30 June 2016 the Company announced a non-renounceable rights issue of listed Converting Notes ('LKOGB'), at an issue price of \$10 per note, to raise up to \$7.1 million (before costs). Following the Victorian Government's announcement the Company's specific applications for approval to conduct petroleum exploration operations on 30 August 2016 that it would implement a permanent ban on fracking and extend the ban on all onshore exploration until at least 30 June 2020, the rights issue was significantly undersubscribed. The issue closed on 9 September 2016 with



subscriptions (net of redemptions) received for only 44,299 Converting Notes – less than the number required for ASX listing of the notes. This left the Company in a dire financial state.

Over subsequent weeks, arrangements were agreed with Dark Horse Resources Limited (**DHR**) for placement of a further 58,000 Converting Notes in exchange for acquisition from DHR of a 4% interest in DHR subsidiary, Navgas Pty Ltd. 58,000 Converting Notes were issued to DHR on 3 October 2016, thereby allowing ASX trading of all Converting Notes to commence on 4 October 2016, but with the Company still in a dire financial state.

On 6 October 2016 the Company announced that it had entered into a Heads of Agreement to acquire the remaining 96% of Navgas Pty Ltd, with consideration for the acquisition to be 9,600 million fully paid shares in Lakes Oil. The acquisition of Navgas was subject to Shareholder approval with PKF Australia appointed to independently report to Shareholders on the fairness and reasonableness of the proposed acquisition.

The approval of the Australian Securities and Investments Commission was secured for the Company's 2016 Annual General Meeting to be delayed in order that the Navgas acquisition could be simultaneously considered, and the need for and cost of a separate Special General Meeting avoided.

As part of the Navgas acquisition, but subject to the acquisition proceeding, on 6 October the Company also secured a commitment from DGR Global Limited for a \$1.5 million underwriting of a future rights issue of shares.

On 29 November, the Company placed 37,500 Converting Notes (LKOGB), from the shortfall of the October 2016 issue, to raise \$375,000.

The acquisition of Navgas was completed on 18 January 2017, following receipt of Shareholder approval at the Company's delayed 2016 Annual General Meeting, held on 16 January 2017. Through the acquisition of Navgas, the Company secured 100% ownership of highly prospective exploration acreage in Queensland and South Australia, details of which are set out in section 1 of this report.

With the acquisition of Navgas completed, a capital raising, partially underwritten by DGR Global Limited, was launched on 14 February 2017. The capital raising involved the non-renounceable entitlement issue of 1 fully paid ordinary share for each 4 eligible securities held by eligible security holders. For each new share issued one bonus, unlisted 'performance right' was also issued.

The capital raising closed on 17 March 2017 with \$683,869 subscribed by shareholders and a further \$816,330 (before costs) raised through DGR Global Limited's underwriting.

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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 year ended 30 June 2017.

Directors

The following persons were directors of Lakes Oil NL during the whole of the financial year 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)
William Stubbs (Non-executive Director)
Kyle Wightman (Non-executive Director)
Robbert de Weijer (Alternate Director) - resigned 23 January 2017
Karl Schlobohm (Alternate Director)- appointed 25 November 2016 and resigned 16 January 2017

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of Exploration for oil and gas within Australia and the United States.

Dividends

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

Financial Results

The loss for the consolidated entity after providing for income tax amounted to \$7,606,299 (30 June 2016: \$49,588,605).

Revenue including other income during the period amounted to \$105,219 (2016: \$1,204,807), which included interest of \$12,320, other income of \$51,524 and Fair value gain through profit and loss of \$41,375.

Operating expenses for the financial year were \$7,711,518 (2016: \$50,793,412). The major expense for the year was due to the provision for impairment of the consolidated entities Exploration and Evaluation assets in the amount of \$4,052,796 (2016: \$47,357,247). Employee benefit expenses amounted to \$577,133 (2016: \$1,546,094), with the decrease largely due to termination payouts to the former chairman during the prior financial year. Administration expenses amounted to \$1,508,920 (2016: \$865,243) resulting from continuing operations. Share based payments during the period amounted to \$171,945 (2016: \$127,587) which represented fully paid ordinary shares issued to the CEO and an employee as part of their respective remuneration packages. Shares were also issued directors in lieu of directors fees as approved by shareholders at the company's Annual General Meeting held on 16 January 2017.

Financial Position

The net assets of the consolidated entity increased by \$4,254,555 to \$11,076,661 as at 30 June 2017 (2016: \$6,822,106) which is largely due to the acquisition of NavGas Pty Ltd. The consolidated entity's working capital deficit, being current assets less current liabilities was \$1,120,917 at 30 June 2017 (2016: surplus \$93,597). During the period the consolidated entity had a negative cash flow from operating activities of \$2,741,012 (2016: \$2,201,383).

Significant changes in the state of affairs

On 12 July 2016, the consolidated entity sold its investment in Vivid Technology Limited (Formerly Greenerth Energy Limited) (ASX: VIV) for a total of \$758,542 (before costs).

On 30 August 2016, the Victorian Government announced a decision to ban unconventional gas exploration in Victoria, and to extend the ban on conventional gas exploration in Victoria until 30 June 2020.

During the year the consolidated entity issued a total of 139,799 converting notes (LKOGB's) at \$10 per note raising a total of \$1,397,990 (before costs). Each converting note will pay interest amounting to \$0.50 every 6 months until maturity which will occur on 31 May 2018.



On 7 October 2016, the consolidated entity issued a total of 26,725,000 fully paid ordinary shares upon the early conversion of 5,345 LKOGA converting notes.

On 17 October 2016, the consolidated entity issued 30,000,000 fully paid ordinary shares at \$0.001 (0.1 cents) per share to an employee of the company.

On 6 December 2016, the consolidated entity issued a total of 18,818,370 fully paid ordinary shares upon the early conversion of 2,070 LKOGB converting notes.

On 18 January 2017, the consolidated entity completed the acquisition of NavGas Pty Ltd following shareholder approval of the company's general meeting held on 16 January 2017. The consolidated entity issued a total of 9.6 billion fully paid ordinary shares to Dark Horse Resources and two individuals.

On 20 January 2017, the consolidated entity issued a total of 35,000,000 fully paid ordinary shares at \$0.001 (0.1 cents) per share for settlement of an employment contract and third party liabilities.

On 14 February 2017, the consolidated entity announced a partially underwritten non-renounceable entitlement issue of 1 fully paid ordinary share for each 4 eligible securities held by eligible security holders to raise up to \$12.6 million. The offer also included one free attaching performance right for each fully paid ordinary share subscribed to under the offer.

On 24 March 2017, the consolidated entity completed the rights issues as announced on 14 February 2017 issuing a total of 341,934,880 fully paid ordinary shares raising a total of \$683,870 (before costs). On 5 June 2017 the consolidated entity completed the issue and allotment of 408,065,120 fully paid ordinary shares and 408,065,120 attaching performance rights to underwriter, DGR Global Limited as applied for under the Company's Non-Renounceable Entitlement Issue Offer raising \$816,130 (before costs). A total of 2,876,031 fully paid ordinary shares and 2,876,031 attaching performance rights were issued as part of its shortfall placement following the Entitlement Issue.

On 7 April 2017, the consolidated entity issued a total of 2,149,856,250 fully paid ordinary shares upon the maturity of 343,977 LKOGA converting notes. The conversion was based on a rate of 1 Converting Note to 6,250 Shares calculated on the basis of an Uplift Factor formula as outlined in the LKOGA Prospectus dated 11 March 2015.

On 1 May 2017, the company completed the acquisition of Mingoola Gold Pty Ltd for consideration of \$1 from Dark Horse Resources Limited. Mingoola holds mineral exploration tenements that overlap the area of Lakes Oil's South Australian petroleum exploration permit applications.

On 7 June 2017, the consolidated entity issued a total of 50,327,776 fully paid ordinary shares upon the early conversion of 5,536 LKOGB converting notes.

During the year the consolidated entity issued a total of 54,166,666 fully paid ordinary shares were issued to the company's CEO pursuant to his remuneration package and a total of 63,888,884 fully paid ordinary shares were issued to directors in lieu of fees as approved at the company's Annual General Meeting held on 16 January 2017.

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

Matters subsequent to the end of the financial year

On 10 July 2017, the consolidated entity issued 1,388,890 fully paid ordinary shares to directors in lieu of fees as approved at the company's Annual General Meeting held on 16 January 2017.

On 9 August 2017, the consolidated entity issued 1,388,890 fully paid ordinary shares to directors in lieu of fees as approved at the company's Annual General Meeting held on 16 January 2017.

On 13 September 2017, the consolidated entity issued 3,421,640 fully paid ordinary shares to directors in lieu of fees as approved at the company's Annual General Meeting held on 16 January 2017.

During September 2017, the consolidated entity sold a section of land which was subdivided and was classified as a held for sale asset at 30 June 2017 in the amount of \$406,080 and is intended to be used to reduce the company's mortgage.



No other matter or circumstance has arisen since 30 June 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.

Environmental regulation

Lakes Oil holds interest in petroleum exploration permits and mineral licences in Victoria, South Australia, Queensland and the United States of America. All of these permits and licences impose regulations regarding environmental issues. There have been no known breaches of the environmental regulations during the financial year.

Information on directors

Name: Chris Tonkin
Title: Non-Executive Chairman
Qualifications: BSc (Hons.), BA, MBA, GAICD
Experience and expertise: Chris Tonkin is the Chairman (appointed 23 May 2016) and a Non-Executive Director (appointed in 2015) and a former Managing Director of Arafura Resources Limited (ASX: ARU) and is an Executive Director of advisory companies Catalyst Capital Solutions and Capital Advisory Services. He began his career as a metallurgist and environmental specialist and diversified into commercial roles at several major industrial companies and subsequently project finance, corporate and project advisory roles at AIDC, The Chase Manhattan Bank, KPMG Corporate Finance and ANZ, where his roles included Head of Project and Structured Finance and Head of Natural Resources. He has over 35 years' experience as a senior business executive with an extensive industry background in business development and management, finance and strategy development across all major industry sectors and particularly natural resources as an advisor and financier to the mining and metals and oil and gas industries.

Other current directorships: Arafura Resources Limited (ASX: ARU)
Former directorships (last 3 years): Nil
Interests in shares: 21,205,161 fully paid ordinary shares
Interests in options: Nil
Interests in rights: 3,881,945 unlisted performance rights

Name: Barney Berold
Title: Non-Executive Director
Qualifications: BCom, MBA.
Experience and expertise: Mr. Berold is an investment banker previously with a major European based banking group. Appointed to the board in 2007, he has had considerable experience in corporate finance advising on strategy, mergers and acquisitions, and funding. He is a former Stockbroker, and served on the boards of The Stock Exchange of Melbourne as well as the Australian Stock Exchange.

Other current directorships: Nil
Former directorships (last 3 years): Nil
Special responsibilities: Chair Audit Committee and Chair Remuneration Committee
Interests in shares: 77,480,994 fully paid ordinary shares
Interests in options: Nil
Interests in rights: Nil



Name: Nicholas Mather
Title: Non-Executive Director
Qualifications: BSc (Hons. Geology) MAusIIM
Experience and expertise: Mr. Nicholas (Nick) Mather has served on the Board since February 2012 and in addition is currently Managing Director and founder of DGR Global Limited (ASX), Executive Chairman and founder of Armour Energy Ltd (ASX) and Director (and co-founder) of SolGold Plc (LSE AIM). Mr. Mather has been involved in the junior resource sector at all levels for more than 30 years and was co-founder and a Non-Executive Director of Bow Energy Ltd until it was acquired by Arrow Energy NL for \$530 million in December 2011. Mr. Mather was also co-founder and served as an Executive Director of Arrow Energy NL until 2004. Arrow Energy NL was acquired by Royal Dutch Shell Plc and the PetroChina Group, for a value of approximately \$3.5 billion in 2010. Mr. Mather is Executive Chairman of Armour Energy Ltd and was also Chairman of Waratah Coal Inc. before its \$130 million takeover by Clive Palmer's Mineralogy Ltd in 2009.

Other current directorships: DGR Global Limited (ASX:DGR), SolGold Plc (LSE:SOLG), Amour Energy Ltd (ASX:AJQ), AusTim Mining Ltd (ASX: ANW) and Dark Horse Resources (ASX: DHR)
Former directorships (last 3 years): Orbis Gold Limited (ASX:OBS) (resigned 16 February 2015)
Special responsibilities: Remuneration Committee Member
Interests in shares: 15,972,224 fully paid ordinary shares
Interests in options: Nil
Interests in rights: Nil

Name: Ian Plimer
Title: Non-Executive Director
Qualifications: BSc (Hons), PhD. FTSE, FGS, FAusIMM
Experience and expertise: Professor Ian Plimer was appointed to the Board in January 2013. He is Emeritus Professor at the University of Melbourne where he was Professor and Head of the School of Earth Sciences (1991-2005). He was Professor of Geology (University of Newcastle 1985-1991) and Professor of Mining Geology (University of Adelaide 2005-2012). He has been awarded the Leopold von Buch Medal for Science, the Centenary Medal, the Eureka Prize (twice) and is Fellow of the Academy of Technological Sciences and Engineering, a fellow of the Geological Society of London and a Fellow of the Australasian Institute of Mining and Metallurgy. Professor Plimer has published more than 130 scientific papers and is author of multiple best-selling books for the general public.

Other current directorships: Silver City minerals Ltd (ASX:SCI), Niuminco Group Limited (ASX:NIU), Kefi Minerals Ltd (AIM:KEFI) and unlisted Hancock Prospecting Pty Ltd and TNT Mines Ltd.
Former directorships (last 3 years): Inova Resources Ltd (ASX:IVA, TSX:IVA) and Sun Resources N.L. (ASX:SUR) (resigned 18 February 2016)
Special responsibilities: Audit Committee Member
Interests in shares: 13,080,161 fully paid ordinary shares
Interests in options: Nil
Interests in rights: 2,256,945 unlisted performance rights



Name: William Stubbs
Title: Non-Executive Director
Qualifications: LLB
Experience and expertise: William (Bill) Stubbs was appointed to the Board in 2012. He is a lawyer of 40 years' experience, having practiced in the area of commercial law including stock exchange listings and all areas of mining law. Mr Stubbs has been a Director of various public companies over the past 27 years in the mineral exploration and biotech fields. He is the former Chairman of Alchemia Limited, Stradbroke Ferries Limited and Bemax Resources Limited which discovered and developed extensive mineral sands resources in the Murray Basin. He was the founding Chairman of Arrow Energy NL. Mr. Stubbs currently acts as the Non-Executive Chairman of DGR Global Limited (appointed in 2009). He also serves as a Non-Executive Director of Armour Energy Ltd (appointed in 2009). Mr. Stubbs was appointed to the Audit Committee in 2012.

Other current directorships: DGR Global Limited (ASX: DGR)
Former directorships (last 3 years): Nil
Special responsibilities: Audit Committee Member
Interests in shares: 20,580,161 fully paid ordinary shares
Interests in options: Nil
Interests in rights: 3,756,945 unlisted performance rights

Name: Kyle Wightman
Title: Non-Executive Director
Qualifications: BComm, MBA, FAICD, CFTP (Snr)
Experience and expertise: Mr Wightman joined the Board on 4 August 2014. Mr Wightman is the Chief Executive Officer of Tait Capital PL where he advises clients on business strategy, major investments and finance. He is an economist, financier and business consultant with over 40 years' experience particularly relating to the feasibility, development and financing of major projects and investments, including Argyle Diamonds, Tarong Coal, Loy Yang Power and Melbourne City Link. He has previously held senior executive roles at PricewaterhouseCoopers, ANZ Bank, Chase Manhattan Bank (now JP Morgan Chase) and CRA Limited (now Rio Tinto).

Other current directorships: Nil
Former directorships (last 3 years): Indophil Resources NL (ASX:IRN) and Inova Resources Ltd (ASX:IVA, TSX:IVA)
Special responsibilities: Remuneration Committee Member
Interests in shares: 18,823,216 fully paid ordinary shares
Interests in options: Nil
Interests in rights: 5,000,000 unlisted performance rights

Name: Robbert de Weijer
Title: Alternate Director (resigned 23 January 2017)
Qualifications: B.Eng (Mech)
Experience and expertise: Mr de Weijer is the appointed Alternate Director for Mr. Mather and Mr. Stubbs. Mr de Weijer joined Armour Energy Ltd as Chief Executive Officer in July 2013 to drive the Company's project and corporate development initiatives. Mr de Weijer's most recent role was as Chief Executive Officer (Australia) for Dart Energy Ltd, an unconventional gas exploration and production company operational in 8 countries. Prior to joining Dart Energy Ltd Mr De Weijer, under secondment from Shell, held the position of Chief Operating Officer for Arrow Energy Ltd, one of Australia's leading coal bed methane companies. His career with Shell spanned 23 years during which he gained extensive experience within the oil and gas industry and held a variety of senior management roles in multiple countries spanning Europe, the Middle East and Australia.

Other current directorships: N/A
Former directorships (last 3 years): N/A
Interests in shares: N/A
Interests in options: N/A
Interests in rights: N/A



Name: Karl Schlobohm
Title: Alternate Director (appointed 25 November 2016 and resigned 16 January 2017)
Qualifications: B.Comm, B.Econ, M.Tax, CA, AICD
Experience and expertise: Mr Karl Schlobohm is a Chartered Accountant with over 20 years' experience across a wide range of industries and businesses. He has extensive experience with financial accounting, corporate governance, company secretarial duties and board reporting. He currently acts as the Company Secretary for ASX-listed DGR Global Ltd, Dark Horse Resources Limited, Aus Tin Mining Ltd, Armour Energy Ltd and LSE(AIM)-listed SolGold Plc and IronRidge Resources Ltd.
Other current directorships: N/A
Former directorships (last 3 years): N/A
Interests in shares: N/A
Interests in options: N/A
Interests in rights: N/A

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company secretary and Chief Executive Officer

Company Secretary

Melanie Leydin was appointed Company Secretary on the 1 July 2016, she currently holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer.

The practice provides outsourced company secretarial and accounting services to public and private companies specialising in the Resources, technology, bioscience and biotechnology sector.

Melanie has over 24 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations.

Chief Executive Officer

Mr Sleeman BEng (Mech), MBA has over 30 years' experience in oil and gas as well as utilities and infrastructure. Mr Sleeman has served in various senior management roles within the oil and gas industry including with Eastern Star Gas Limited as Chief Commercial Officer and AGL as General Manager of the Goldfields Gas Pipeline.

Mr Sleeman has extensive engineering and business experience including negotiation of gas sales agreements that provided a foundation for development of the North West Shelf Project, commercialisation of new gas and power station opportunities and management of major gas transmission pipeline infrastructure. Mr Sleeman has provided specialist commercial, regulatory and project development advice to both the public and private sectors. He has served as a Director of Armour Energy Limited since 2011.



Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2017, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Chris Tonkin	21	21	-	-	-	-
Barney Berold	19	21	-	-	2	2
Nicholas Mather	14	21	-	-	-	-
Ian Plimer	16	21	-	-	1	2
William Stubbs	18	21	-	-	2	2
Kyle Wightman	21	21	-	-	-	-

Held: represents the number of meetings held during the time the director held office.

During the year under review there were no meetings of the Nomination and Remuneration Committee as there were neither increases in remuneration nor new employees hired other than those which were initiated and approved by the entire Board of the Company.

Remuneration report (audited)

Remuneration policy

The board of directors of Lakes Oil NL is responsible for determining and reviewing compensation arrangements for the directors, the Chairman, Executive Officers and other employees.

The remuneration report is set out under the following main headings:

- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

The Board established a Remuneration Committee in July 2013 which has been charged with establishing and reviewing remuneration procedures appropriate for a Board and consolidated entity of this size.

The Remuneration Committee has the responsibility to assess the appropriateness of the nature and amount of emoluments for non-executive directors with reference to performance, relevant comparative remuneration and independent expert advice with the objective of retaining a high quality board to ensure maximum stakeholder benefit. The non-executive directors receive fees in arrears and do not receive bonus payments.

ASX Listing rules requires that the aggregate non-executive directors' remuneration shall be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 16 January 2017, where the shareholders approved a maximum aggregate remuneration of \$300,000. No amendments have been made to the available Non-Executive director remuneration pool since that date.

The Remuneration Committee has the responsibility to assess the appropriateness of the nature and amount of emoluments for the Executives on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality executive.

The Remuneration Committee has the responsibility to review the appropriateness of the nature and amount of emoluments for Senior Executives as recommended by the Chief Executive Officer (CEO). These recommendations are made by the CEO on a periodic basis by reference to relevant employment market conditions with an overall objective of ensuring maximum stakeholder benefit from the retention of a high quality team.

The CEO is given the opportunity to receive his base emolument in a variety of forms including cash and fringe benefits such as expenses payment plans. All other staff must take their base emolument as cash and superannuation. It is intended that the manner of payment chosen will be optimal for the recipient without creating undue cost.



For directors and staff, the consolidated entity provides a remuneration package that currently provides for cash-based remuneration. The contracts for services between the consolidated entity and specified directors and executives are on a continuing basis, the terms of which are not expected to change. The remuneration policy is not related to the consolidated entity's performance. The board considers a remuneration policy based on short-term returns may not be beneficial to the long-term creation of wealth for shareholders.

The Executive Officers and other employees are all employed under various forms of agreement that can be terminated with notice by either side. These agreements, which do not specify fixed periods of employment (excluding the CEO agreement which specifies a fixed term), can be terminated by either party with a notice period of four weeks. Termination payments comprise the base salary payment for the duration of the applicable notice period, plus any statutory entitlements owing, such as outstanding annual and long service leave entitlements and superannuation contributions.

Lakes Oil NL determines the maximum amount for remuneration, including thresholds for share-based remuneration, and bonus payments, if any, by directors' resolution.

There were no at-risk compensation components forgone during the year.

Details of remuneration

Named directors and executives

The names and positions of each person who held the position of director at any time during the financial year is provided below.

- 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)

There are three executives in the consolidated entity who hold positions of a senior nature that directly influences the overall direction of the consolidated entity focus as named below:

- Roland Sleeman (Chief Executive Officer)
- Ingrid Campbell (Chief Geologist) Resigned 24 March 2017
- Tim O'Brien (Operations Manager)
- Leslie Smith (Chief Financial Officer and Company Secretary) Resigned 30 June 2016

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.



	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Termination payments	Non-monetary	Super-annuation	Long service leave	Equity-settled ***	
2017	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Barney Berold	17,941	-	-	2,892	-	12,500	33,333
Nicholas Mather	18,055	-	-	-	-	15,278	33,333
Ian Plimer	17,941	-	-	2,892	-	12,500	33,333
William Stubbs	17,941	-	-	2,892	-	12,500	33,333
Chris Tonkin	17,941	-	-	2,892	-	12,500	33,333
Kyle Wightman	17,941	-	-	2,892	-	12,500	33,333
<i>Other Key Management Personnel:</i>							
Roland Sleeman	136,250	-	-	-	-	54,167	190,417
Ingrid Campbell*	207,868	50,342	-	26,597	-	-	284,807
Tim O'Brien	179,696	-	-	20,871	7,801	40,000	248,368
Leslie Smith**	38,279	-	-	66	-	-	38,345
	<u>669,853</u>	<u>50,342</u>	<u>-</u>	<u>61,994</u>	<u>7,801</u>	<u>171,945</u>	<u>961,935</u>

* Ms Campbell resigned as Chief Geologist on 23 March 2017.

** Mr Smith resigned as Chief Financial Officer on 30 June 2016 and therefore the payments noted above relate to settlement of leave entitlements.

*** Equity settled remuneration for Non-Executive directors and employees relates to shares issued in lieu of directors fees as approved by shareholders at the company's Annual General Meeting held on 16 January 2017.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	Total
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service leave	Equity-settled	
2016	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>							
Barney Berold	15,000	-	-	35,000	-	-	50,000
Andrew Davis**	33,231	-	-	3,157	-	-	36,388
Nicholas Mather	50,000	-	-	-	-	-	50,000
Ian Plimer	45,662	-	-	4,338	-	-	50,000
William Stubbs	45,662	-	-	4,338	-	-	50,000
Chris Tonkin**	37,037	-	-	3,518	-	-	40,555
Kyle Wightman	45,662	-	-	4,338	-	-	50,000
<i>Executive Directors:</i>							
Robert Annells*	311,400	350,000	-	29,600	-	-	691,000
<i>Other Key Management Personnel:</i>							
Roland Sleeman***	10,833	-	-	-	-	54,167	65,000
Ingrid Campbell	185,496	-	-	35,000	3,685	14,850	239,031
Tim O'Brien	219,696	-	-	20,878	4,020	19,800	264,394
Leslie Smith	155,400	-	-	24,996	-	14,850	195,246
	<u>1,155,079</u>	<u>350,000</u>	<u>-</u>	<u>165,163</u>	<u>7,705</u>	<u>103,667</u>	<u>1,781,614</u>



- * Mr Annells resigned as Chairman and Chief Executive on 20 May 2016.
- ** Mr Tonkin and Mr Davis were appointed as Non-executive directors on 9 September 2015. Mr Davis resigned on 2 June 2016. Mr Tonkin was appointed as Chairman on 20 May 2016.
- *** Mr Sleeman was appointed on 8 June 2016.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2017	2016	2017	2016	2017	2016
<i>Non-Executive Directors:</i>						
Chris Tonkin	100%	100%	-	-	-	-
Barney Berold	100%	100%	-	-	-	-
Andrew Davis	-	100%	-	-	-	-
Nicholas Mather	100%	100%	-	-	-	-
Ian Plimer	100%	100%	-	-	-	-
William Stubbs	100%	100%	-	-	-	-
Kyle Wightman	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Robert Annells	-	100%	-	-	-	-
<i>Other Key Management Personnel:</i>						
Roland Sleeman	100%	100%	-	-	-	-
Ingrid Campbell	100%	94%	-	-	-	6%
Tim O'Brien	100%	92%	-	-	-	8%
Leslie Smith	100%	92%	-	-	-	8%

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	Mr Roland Sleeman
Title:	Chief Executive Officer
Agreement commenced:	8 June 2017
Term of agreement:	12 months
Details:	Remuneration for the contract period consists of \$6,500 per month with any work in excess of 40 hours per month charged at a rate of \$230 per hour. Either party may terminate the agreement by giving one (1) month's written notice to the other party at any time, for any reason. The date of termination may be varied by mutual agreement subject to the work schedule of the company remaining at the time of the termination date occurrence.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares

During the financial year the consolidated entity issued a total of 54,166,666 fully paid ordinary share to the CEO in accordance with his remuneration package.

A total of 63,888,884 fully paid ordinary shares were issued to directors in lieu of directors fees as approved at the company's Annual General Meeting held on 16 January 2017.

A total of 40,000,000 fully paid ordinary shares were issued to an employee of the company in lieu of fees.



Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
8 January 2016	8 January 2016	8 January 2021	\$0.005	\$0.001

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2017 are set out below:

Name	Number of options granted during the year 2017	Number of options granted during the year 2016	Number of options vested during the year 2017	Number of options vested during the year 2016
Ingrid Campbell	-	15,000,000	-	15,000,000
Tim O'Brien	-	20,000,000	-	20,000,000
Leslie Smith	-	15,000,000	-	15,000,000

Performance rights

There were no performance rights over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2017.

Additional information

The earnings of the consolidated entity for the five years to 30 June 2017 are summarised below:

	2017 \$	2016 \$	2015 \$	2014 \$	2013 \$
Revenue (excluding fair value gains and losses) (\$'000)	64	1,205	51	79	572
Loss before tax (\$'000)	(7,606)	(49,589)	(2,743)	(3,168)	(2,953)
Change in share price (%)	-	(50)	(33)	(40)	-

The remuneration policy is not directly related to the consolidated entity's performance and the above data is provided for information only.



Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by any director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<i>Ordinary shares</i>					
Barney Berold	54,157,778	10,416,666	12,500,000	-	77,074,444
William Stubbs	6,000,000	10,416,666	3,756,945	-	20,173,611
Roland Sleeman	54,166,666	54,166,666	-	(51,250,000)	57,083,332
Ingrid Campbell*	1,000,000	-	-	(1,000,000)	-
Tim O'Brien	17,250,000	40,000,000	-	(47,750,000)	9,500,000
Leslie Smith**	2,126,600	-	-	(2,126,600)	-
Christopher Tonkin	-	10,416,666	10,381,945	-	20,798,611
Ian Plimer	-	10,416,666	2,256,945	-	12,673,611
Kyle Wightman	-	10,416,666	8,000,000	-	18,416,666
Nick Mather	-	11,805,554	-	-	11,805,554
	<u>134,701,044</u>	<u>158,055,550</u>	<u>36,895,835</u>	<u>(102,126,600)</u>	<u>227,525,829</u>

* Ms Campbell resigned on 24 March 2017.

** Mr Smith resigned on 30 June 2016.

Option holding

The number of options over ordinary shares in the company held during the financial year by any director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
<i>Options over ordinary shares</i>					
Ingrid Campbell*	15,000,000	-	-	(15,000,000)	-
Tim O'Brien	20,000,000	-	-	-	20,000,000
Leslie Smith**	15,000,000	-	-	(15,000,000)	-
	<u>50,000,000</u>	<u>-</u>	<u>-</u>	<u>(30,000,000)</u>	<u>20,000,000</u>

* Ms Campbell resigned on 24 March 2017.

** Mr Smith resigned on 30 June 2017.

The options granted to employees (non-director) as listed above vested upon on the date of grant. A term of the option specifies that if an employee ceases employment then the respective options will lapse 60 days after ceasing employment.

Performance rights holding

The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted*	Vested	Expired/ forfeited/ other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
William Stubbs	-	3,756,945	-	-	3,756,945
Christopher Tonkin	-	3,881,945	-	-	3,881,945
Ian Plimer	-	2,256,945	-	-	2,256,945
Kyle Wightman	-	5,000,000	-	-	5,000,000
	<u>-</u>	<u>14,895,835</u>	<u>-</u>	<u>-</u>	<u>14,895,835</u>



- * The performance rights granted above were issued as a bonus right in conjunction with the Non-renounceable rights issue completed during the year. For each share subscribed to under the offer the applicant was issued 1 free attaching bonus right in the company.

Other transactions with key management personnel and their related parties

All amounts paid to Directors and director-related entities were charged on commercial and arm's-length terms and conditions.

Two of the Directors of Lakes Oil NL Nicholas Mather and William Stubbs, are Directors of Armour Energy Ltd. Mr Robbert de Weijer, an Alternate Director of Lakes Oil NL, is the CEO of Armour Energy Ltd. Armour Energy Ltd is party to an agreement with Lakes Oil NL as described in the tenement table detailed in the shareholder information section.

Mr Nicholas Mathers' remuneration is settled via an entity that is controlled by Mr Mathers called Samuel Capital Pty Ltd. Mr Roland Sleemans' remuneration is also settled via an entity controlled by Mr Sleeman ATF The Sleeman Trust.

During the financial year the consolidated entity entered into a number of agreements with Dark Horse Resources Ltd (ASX: DHR), an entity which Nicholas Mather is a director. On 3 October 2016, the consolidated entity announced that it had received \$400,000 for the purchase of 40,000 LKOGB converting notes. The consolidated entity also announced that it had acquired a 4% equity interest in NavGas Pty Ltd (NavGas) from DHR for consideration of \$400,000.

On 6 October 2016, the consolidated entity announced that it had entered into a Heads of Agreement with DHR to acquire the remaining 96% interest in NavGas for consideration of 9,600,000,000 fully paid ordinary shares. The acquisition was completed on 18 January 2017 upon the consolidated entity receiving shareholder approval for the issues of shares.

The consolidated entity also entered into an underwriting agreement with DGR Global Limited (ASX: DGR) in which DGR agreed to manage and underwrite the non-renounceable rights issue announced on 14 February 2017. Nicholas Mather and William Stubbs are directors of DGR Global Ltd and is therefore considered a director related entity. The rights issue was partially underwritten for \$1,500,000 of which DGR was paid an underwriting fee of 6% amounting to \$90,000.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Lakes Oil NL under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
8 January 2016	8 January 2021	\$0.005	26,000,000

The options listed above were issued to employees (non-director) in line with their respective remuneration packages as detailed in the options holding table set out on the proceeding page.

Shares issued on the exercise of options

There were no ordinary shares of Lakes Oil NL issued on the exercise of options during the year ended 30 June 2017 and up to the date of this report.

Shares under performance rights

Unissued ordinary shares of Lakes Oil NL under performance rights at the date of this report are as follows:

Grant date	Expiry date	Hurdle price	Number under rights
24 March 2017	1 July 2022	\$0.008	752,876,031

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the company or of any other body corporate.



The performance rights listed above were granted as free attaching rights in relation to the non-renounceable entitlement offer announced 14 February 2017.

Shares issued on the exercise of performance rights

There were no ordinary shares of Lakes Oil NL issued on the exercise of performance rights during the year ended 30 June 2017 and up to the date of this report.

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 27 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

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.

Auditor

Pitcher Partners continues in office in accordance with section 327 of the Corporations Act 2001.



Rounding of amounts

Lakes Oil NL is a type of Company that is referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(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 September 2017

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LAKES OIL NL
ACN 004 247 214
AND CONTROLLED ENTITIES

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

In relation to the independent audit for the year ended 30 June 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 NL and the entities it controlled during the year.



B POWERS
Partner

28 September 2017



PITCHER PARTNERS
Melbourne

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Lakes Oil NL
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017



	Note	Consolidated 2017 \$	2016 \$
Revenue			
Interest income	5	12,320	28,382
Other income	5	51,524	141,032
Fair value gains on financial assets through profit or loss	10	41,375	-
Research and development tax concession	5	-	1,035,393
		105,219	1,204,807
Expenses			
Employee benefits expense		(577,133)	(1,546,094)
Share based payments		(171,945)	(127,587)
Depreciation expenses	6	(26,812)	(39,647)
Loss on disposal of assets		(231,002)	-
Impairment expense	6	(4,130,205)	(47,357,247)
Accounting and audit expenses		(135,083)	(62,295)
Administrative expenses	6	(1,508,920)	(865,243)
Consulting expenses		(377,141)	(214,597)
Finance costs		(297,026)	(62,496)
Marketing and promotion expenses		(27,607)	(139,604)
Rent and occupancy expenses		(228,644)	(199,311)
Fair value losses on financial assets through profit or loss	10	-	(179,291)
		(7,606,299)	(49,588,605)
Loss before income tax expense		(7,606,299)	(49,588,605)
Income tax expense	7	-	-
		-	-
Loss after income tax expense for the year attributable to the owners of Lakes Oil NL		(7,606,299)	(49,588,605)
Other comprehensive income for the year, net of tax		-	-
		-	-
Total comprehensive income for the year attributable to the owners of Lakes Oil NL		(7,606,299)	(49,588,605)
		Cents	Cents
Basic loss per share	36	(0.05)	(0.42)
Diluted loss per share	36	(0.05)	(0.42)

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 30 June 2017



	Note	Consolidated 2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	8	593,176	761,818
Trade and other receivables	9	141,472	86,249
Financial assets at fair value through profit or loss	10	-	924,044
Held for sale asset	11	406,080	-
Other financial assets	12	137,206	385,302
Other current assets	13	27,490	38,680
Total current assets		<u>1,305,424</u>	<u>2,196,093</u>
Non-current assets			
Other receivables	14	12,000	-
Property plant and equipment	15	1,329,165	1,864,335
Exploration and evaluation	16	11,163,871	5,172,635
Total non-current assets		<u>12,505,036</u>	<u>7,036,970</u>
Total assets		<u>13,810,460</u>	<u>9,233,063</u>
Liabilities			
Current liabilities			
Trade and other payables	17	1,192,244	683,601
Converting notes	18	133,039	216,360
Borrowings	19	1,000,000	1,000,000
Provisions	20	101,058	202,535
Total current liabilities		<u>2,426,341</u>	<u>2,102,496</u>
Non-current liabilities			
Provisions	21	307,458	308,461
Total non-current liabilities		<u>307,458</u>	<u>308,461</u>
Total liabilities		<u>2,733,799</u>	<u>2,410,957</u>
Net assets		<u>11,076,661</u>	<u>6,822,106</u>
Equity			
Share capital - ordinary shares and converting notes	22	122,876,152	111,015,298
Reserves	23	25,740	57,420
Accumulated losses		(111,825,231)	(104,250,612)
Total equity		<u>11,076,661</u>	<u>6,822,106</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 year ended 30 June 2017



Consolidated

	Contributed equity \$	Share based payment reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	110,672,272	-	(54,662,007)	56,010,265
Loss after income tax expense for the year	-	-	(49,588,605)	(49,588,605)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(49,588,605)	(49,588,605)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 22)	343,026	-	-	343,026
Share-based payments (note 37)	-	57,420	-	57,420
Balance at 30 June 2016	<u>111,015,298</u>	<u>57,420</u>	<u>(104,250,612)</u>	<u>6,822,106</u>

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 year	-	-	(7,606,299)	(7,606,299)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(7,606,299)	(7,606,299)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 22)	11,860,854	-	-	11,860,854
Lapse of options	-	(31,680)	31,680	-
Balance at 30 June 2017	<u>122,876,152</u>	<u>25,740</u>	<u>(111,825,231)</u>	<u>11,076,661</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 year ended 30 June 2017



	Note	Consolidated 2017 \$	2016 \$
Cash flows from operating activities			
Receipts		17,000	21,250
Payments to suppliers and employees		(2,374,354)	(2,812,457)
Payments for exploration and evaluation costs		(266,200)	(411,453)
Interest received		4,843	28,380
Finance costs		(122,301)	(62,496)
Research and development tax concession refund		-	1,035,393
		<hr/>	<hr/>
Net cash used in operating activities	35	(2,741,012)	(2,201,383)
Cash flows from investing activities			
Proceeds from disposal of financial assets		758,542	-
Payments for investment in NavGas Pty Ltd		(400,000)	-
Proceeds from trustee investment		27,757	95,669
		<hr/>	<hr/>
Net cash from investing activities		386,299	95,669
Cash flows from financing activities			
Proceeds from issue of shares	22	1,505,752	182,000
Share issue transaction costs		(224,692)	-
Proceeds from issue of converting notes	22	1,375,055	-
Payment of note issue costs		(190,468)	-
Converting note interest paid		(279,576)	-
Proceeds from borrowings		-	1,000,000
Repayment of borrowings		-	(1,000,000)
		<hr/>	<hr/>
Net cash from financing activities		2,186,071	182,000
Net decrease in cash and cash equivalents		(168,642)	(1,923,714)
Cash and cash equivalents at the beginning of the financial year		761,818	2,685,532
		<hr/>	<hr/>
Cash and cash equivalents at the end of the financial year	8	<u>593,176</u>	<u>761,818</u>

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



Note 1. General information

The 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 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 September 2017. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Compliance with IFRS

The consolidated financial statements of Lakes Oil NL also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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 year ended 30 June 2017 of \$7,606,299 (2016: loss of \$49,588,605) and at reporting date has net assets of \$11,076,661 (2016: \$6,822,106) including \$11,163,871 (2016: \$5,172,635) of capitalised exploration, evaluation and development costs.

The Directors forecast cash flow requirements to meet the consolidated entity's obligations and forecast expenditure has resulted in the recognition that additional funding is required over the next twelve months.

Subsequent to year end the consolidated entity completed a subdivision and sold a subdivided section of the land for a total of \$406,080 (before costs). These funds are intended to be used to pay down a portion of the mortgage currently held as security over the subdivided land.

The consolidated entity is currently in the process of finalising a financing facility which will provide funding of up to \$2.5 million.

The consolidated entity will also seek to address the cash requirements at an appropriate time through the actions noted below:

- Sale of the land and properties held by the consolidated entity in which the funds will be utilised to pay down the mortgage facility and surplus funds to be used for ongoing working capital purposes, however as at the date of this report no land has been sold with the exception of the subdivision noted above.
- Renegotiate the mortgage finance facility beyond its current due date.
- Exit the lease on the Company's registered office.
- Continue to reduce corporate overhead costs.
- Continuing 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.
- Continuing to pursue opportunities to negotiate pre-paid gas supply contracts however at the date of this report no agreements have been signed.



Note 2. Significant accounting policies (continued)

In the event the consolidated entity is unable to raise sufficient capital through the methods above a material uncertainty exists due to the mortgage over the property held which is repayable during January 2018. This would require one of the following to occur :

- a. Sale of the land to repay the mortgage;
- b. Extend the term of the mortgage ;
- c. Seek additional funding to settle outright.

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.

Should the consolidated entity be unable to improve its cash flows with the initiatives detailed above then, the consolidated entity may in the future not be able to continue as a going concern and may be therefore required to realise its assets and extinguish liabilities other than in the ordinary course of business with the amount realised being different from those shown in the financial statements.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

The financial report covers Lakes Oil NL and controlled entities as a consolidated entity. Lakes Oil NL is a no-liability company incorporated and domiciled in Australia. Lakes Oil NL is a for-profit entity for the purpose of preparing the financial statements.

The financial report was authorised for issue by the directors at the date of the directors' report.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of financial assets and liabilities at fair value through profit or loss and certain classes of property, plant and equipment.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 32.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Lakes Oil NL ('company' or 'parent entity') as at 30 June 2017 and the results of all subsidiaries for the year then ended. Lakes Oil NL and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.



Note 2. Significant accounting policies (continued)

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Lakes Oil NL's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

Lease payments for operating leases are recognised as an expense on a straight-line basis over the term of the lease.



Note 2. Significant accounting policies (continued)

Compound financial instruments

Compound financial instruments issued by the consolidated entity comprise converting notes that, while being able to be converted to share capital on a limited basis during the instrument's life by the note holder, must be converted to share capital at the end of the instrument's life.

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

The liability component of a compound financial instrument is initially recognised at the fair value of a comparable liability that does not have an equity conversion option. 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/equity component that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The equity component is initially recognised at the difference between fair value of the compound financial instrument as a whole and the fair value of the liability component.

All directly attributable transaction costs are allocated to the liability and equity component on a proportional basis.

After initial recognition, the liability component of the compound financial instrument will be measured at amortised cost using the effective interest method. The equity component of a compound financial instrument/conversion option is not remeasured after initial recognition. The corresponding interest on convertible notes is expensed to profit or loss.

Finance expense

Finance expenses attributable to qualifying assets are capitalised as part of the asset. All other finance expenses are expensed in the period in which they are incurred.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses, assets and liabilities (exclude receivables and payables) are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Comparatives

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2017.

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 did not have any significant impact on the financial performance or position of the consolidated entity.

The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.



Note 2. Significant accounting policies (continued)

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces 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 solely principal and interest. All other financial instrument assets are to be 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) in other comprehensive income ('OCI'). For financial liabilities, 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 will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under 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. The standard introduces additional new disclosures. The consolidated entity will adopt this standard from 1 January 2018 but has made a preliminary assessment of the changes and does not expect any material impact on implementation.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and it provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach would be used to measure assets whereas liabilities would be based on transfer value. As the standard does not introduce any new requirements for the use of fair value, its impact on adoption by the consolidated entity from 1 January 2018 will be minimal, although there will be increased disclosures where fair value is used.

AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. 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 will adopt this standard from 1 January 2018 but has made a preliminary assessment of the changes and does not expect any material impact on implementation.



Note 2. Significant accounting policies (continued)

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 January 2019 but has made a preliminary assessment of the changes and does not expect any material impact on implementation.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Fair value measurement hierarchy

The consolidated entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Estimation of useful lives of assets

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.



Note 3. Critical accounting judgements, estimates and assumptions (continued)

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

Deferred tax assets and liabilities are based on the assumption that no adverse change will occur in the income tax legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. Deferred tax assets arising from tax losses are not recognised at balance date as realisation of the benefit is not probable.

Employee benefits provision

As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Provision for restoration costs

A provision has been made for the present value of anticipated costs for future rehabilitation of land explored or mined. The consolidated entity's mining and exploration activities are subject to various laws and regulations governing the protection of the environment. The consolidated entity recognises management's best estimate for assets retirement obligations and site rehabilitations in the period in which they are incurred. Actual costs incurred in the future periods could differ materially from the estimates. Additionally, future changes to environmental laws and regulations, life of mine estimates and discount rates could affect the carrying amount of this provision.

Exploration costs

Exploration costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

Note 4. 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, South Australia, Queensland, Australia
- Segment 2: Investment in entities engaged in the renewable energy sector.

During the year the consolidated entity sold all shares held in Vivid Technology Limited (Formerly Greenearth Energy (GER)) and therefore as at 30 June 2017 the consolidated entities' interest in the renewable energy sector had ceased.



Note 4. Operating segments (continued)

Operating segment information

	Segment 1	Segment 2	Total
	\$	\$	\$
Consolidated - 2017			
Revenue			
Segment revenue	-	41,375	41,375
Total segment revenue	-	41,375	41,375
<i>Unallocated revenue:</i>			
Interest income			12,320
Other income			51,524
Total revenue			105,219
Total operating result	(7,373,352)	(206,135)	(7,579,487)
Depreciation	(26,812)	-	(26,812)
Loss before income tax expense	(7,400,164)	(206,135)	(7,606,299)
Income tax expense			-
Loss after income tax expense			(7,606,299)

	Segment 1	Segment 2	Total
	\$	\$	\$
Consolidated - 2016			
Revenue			
Segment revenue	1,176,425	-	1,176,425
Total segment revenue	1,176,425	-	1,176,425
<i>Unallocated revenue:</i>			
Interest income			28,382
Total revenue			1,204,807
Total operating result	(49,369,667)	(179,291)	(49,548,958)
Depreciation	(39,647)	-	(39,647)
Loss before income tax expense	(49,409,314)	(179,291)	(49,588,605)
Income tax expense			-
Loss after income tax expense			(49,588,605)

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. These assets are disclosed in Note 10.

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, Evaluation and Developments Costs for Eagle Prospect, a permit in the USA. This asset is disclosed in Note 16.

	Consolidated	
	2017	2016
	\$	\$
Revenue		
Segment revenue	41,375	-
Interest revenue	12,320	28,382
Other income	51,524	1,176,425
Total revenue	105,219	1,204,807



Note 5. Revenue

	Consolidated	
	2017	2016
	\$	\$
Revenue from continuing operations		
Interest - Other persons/corporations	12,320	28,382
Other Income	51,524	141,032
Research and development tax concession	-	1,035,393
	<hr/>	<hr/>
Total	<u>63,844</u>	<u>1,204,807</u>

Included in other income for the prior year is an amount of \$100,000 which relates to a non-refundable option payment made by Armour Energy to acquire an interest in a tenement currently held by the consolidated entity.

Accounting policy for revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

Research and development tax concessions

The entity is eligible under the Commonwealth Government's Research and Development Tax Incentive scheme to a 45% refundable tax offset for certain expenditures arising from eligible research and development activities. As the entity receives the tax offset in the form of cash, it accounts for the incentive as government grants in accordance with AASB 120: Accounting for Government Grants and Disclosure of Government Assistance.

All revenue is stated net of the amount of goods and services tax (GST).



Note 6. Expenses

	Consolidated	
	2017	2016
	\$	\$
Loss before income tax includes the following specific expenses:		
<i>Depreciation Expense</i>		
Property, plant and equipment	26,812	39,647
<i>Impairment Expense</i>		
Land	77,409	-
Exploration and evaluation	4,052,796	47,357,247
Total impairment	4,130,205	47,357,247
<i>Administrative Expense</i>		
Travel and accommodation	53,964	63,125
Share registry costs and listing fees	367,141	193,235
Legal fees	820,578	122,465
Directors fees	182,648	310,110
Insurance premiums	99,434	121,206
Office expenses	103,292	208,467
Less portion attributed to exploration permits capitalised	(118,137)	(153,365)
Total administrative	1,508,920	865,243

Specific items

There are no additional revenues or expenses whose disclosure is relevant in explaining the financial performance of the entity.

Note 7. Income tax

	Consolidated	
	2017	2016
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense	(7,606,299)	(49,588,605)
Tax at the statutory tax rate of 27.5% (2016: 28.5%)	(2,091,732)	(14,132,752)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non-deductible expenses and timing differences	30,724	13,214
Impairment of exploration and evaluation assets	1,114,520	13,496,745
Non-assessable research and development rebate	-	(295,087)
impairment of land	21,287	-
	(925,201)	(917,880)
Benefit of tax losses not brought to account	925,201	917,880
Income tax expense	-	-



Note 7. Income tax (continued)

	Consolidated	
	2017	2016
	\$	\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	79,803,271	76,086,577
Potential tax benefit @ 27.5% (2016: 28.5%)	21,945,900	21,684,674

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed or, failing that, the same business test is passed.

The taxation benefits of tax losses and temporary difference not brought to account will only be obtained if:

- (i) the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- (ii) the consolidated entity continues to comply with the conditions for deductibility imposed by law; and
- (iii) no change in tax legislation adversely affects the consolidated entity in realising the benefits from deducting the losses.

Lakes Oil NL (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity is responsible for recognising the current and deferred tax assets arising in respect of tax losses for the tax consolidated group. The tax consolidated group has also entered a tax funding agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.



Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2017	2016
	\$	\$
Cash at bank	482,676	611,318
Cash on deposit	110,500	150,500
	<u>593,176</u>	<u>761,818</u>

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 9. Current assets - trade and other receivables

	Consolidated	
	2017	2016
	\$	\$
Debtors	123,338	75,125
Other receivables	-	475
	<u>123,338</u>	<u>75,600</u>
GST receivable	18,134	10,649
	<u>141,472</u>	<u>86,249</u>

Trade debtors are non-interest bearing and generally on 30 day terms.

Details of the terms and conditions of related party receivables are set out in Note 31.

Impairment of receivables

The ageing of the receivables provided for above are as follows:

	Consolidated	
	2017	2016
	\$	\$
Not past due	<u>141,472</u>	<u>86,249</u>

The consolidated entities management considers that all financial assets that are not impaired or past due are of good credit quality.

Accounting policy for trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.



Note 10. Current assets - financial assets at fair value through profit or loss

	Consolidated	
	2017	2016
	\$	\$
Ordinary shares - Vivid Technology Limited (VIV) (Formerly Greenerth Energy (GER))	-	924,044
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:		
Opening fair value	924,044	1,103,335
Disposals	(758,542)	-
Fair value gains/(losses) on financial assets through profit or loss	41,375	(179,291)
Loss on disposal of assets	(206,877)	-
Closing fair value	-	924,044

The above shareholding comprises shares in Vivid Technology Limited (Formerly Greenerth Energy (GER)) which was sold during the financial year.

The investment in Vivid Technology Limited which was held by the consolidated entity at fair value was valued in accordance AASB 13, using Level 1 of the fair value hierarchy - quoted prices (unadjusted) in active markets for identical assets or liabilities. The fair values of the financial assets held have been determined by reference to the quoted price on the ASX at 30 June 2016 (prior to sale).

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are either: i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit; or ii) designated as such upon initial recognition, where they are managed on a fair value basis or to eliminate or significantly reduce an accounting mismatch. Except for effective hedging instruments, derivatives are also categorised as fair value through profit or loss. Fair value movements are recognised in profit or loss in accordance with AASB 13.

Investments in listed securities are carried at fair value through profit and loss. They are measured at their fair value at each reporting date and any increment or decrement in fair value from the prior period is recognised in the profit and loss of the current period. Fair value of listed investments are based on current bid prices.

Non-listed investment for which fair value cannot be reliably measured, are carried at cost and tested for impairment.

Note 11. Current assets - held for sale asset

	Consolidated	
	2017	2016
	\$	\$
Held for sale asset - Land	406,080	-

The held for sale asset above related to land which has been subdivided and sold subsequent to year end and has therefore been reclassified from a non-current asset to a current asset as noted in note 15.



Note 11. Current assets - held for sale asset (continued)

Accounting policy for held for sale assets

Assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised. Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Note 12. Current assets - Other financial assets

	Consolidated	
	2017	2016
	\$	\$
Security deposit	-	22,000
Cash held on trust	137,206	363,302
	<u>137,206</u>	<u>385,302</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 13. Current assets - Other current assets

	Consolidated	
	2017	2016
	\$	\$
Prepayments	27,490	38,680
	<u>27,490</u>	<u>38,680</u>

Note 14. Non-current assets - Other receivables

	Consolidated	
	2017	2016
	\$	\$
Security deposit	12,000	-
	<u>12,000</u>	<u>-</u>

The security deposit listed above relates to deposits held by government departments in relation to security over mining tenements.



Note 15. Non-current assets - Property plant and equipment

	Consolidated	
	2017	2016
	\$	\$
Land and buildings - at cost	1,911,477	2,321,438
Less: Accumulated depreciation	(90,856)	(84,899)
Less: Accumulated Impairments	(548,410)	(471,001)
	<u>1,272,211</u>	<u>1,765,538</u>
Leasehold improvements - at cost	258,275	295,054
Less: Accumulated depreciation	(247,649)	(279,114)
	<u>10,626</u>	<u>15,940</u>
Plant and equipment - at cost	203,764	592,098
Less: Accumulated depreciation	(157,436)	(509,241)
	<u>46,328</u>	<u>82,857</u>
	<u><u>1,329,165</u></u>	<u><u>1,864,335</u></u>

Reconciliations

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

Consolidated	Land and buildings \$	Leasehold improvements \$	Plant and equipment \$	Total \$
Balance at 1 July 2015	1,773,466	23,854	106,662	1,903,982
Depreciation expense	(7,928)	(7,914)	(23,805)	(39,647)
Balance at 30 June 2016	1,765,538	15,940	82,857	1,864,335
Disposals	(2,600)	-	(22,269)	(24,869)
Impairment of assets	(77,409)	-	-	(77,409)
Transfers to held for sale asset	(406,080)	-	-	(406,080)
Depreciation expense	(7,238)	(5,314)	(14,260)	(26,812)
Balance at 30 June 2017	<u><u>1,272,211</u></u>	<u><u>10,626</u></u>	<u><u>46,328</u></u>	<u><u>1,329,165</u></u>

Impairment Loss on Land and Buildings

The accumulated impairment losses and current year impairment relates to freehold land and buildings are based on the independent valuations obtained from Lee Property Valuers and Advisors on 5 September 2017. Such valuations were performed on an open market basis, being the amounts for which the assets could be exchanged between knowledgeable willing buyer and a knowledgeable willing seller in an arms' length valuation at valuation date. The whole amount of the impairment losses were included in Impairment of property, plant and equipment within the statement of comprehensive income, as there were no amounts in the asset revaluation surplus relating to the relevant assets. The recoverable amount of these assets was determined by fair value less costs to sell.

During the year the consolidated entity subdivided one of their properties and sold to a third party post year end and has therefore been reclassified as an held for sale asset.

Valuations of freehold land and buildings

The carrying values of freehold land, and buildings on freehold land have been based upon cost less any accumulated impairment loss. The land and buildings have been valued in accordance with AASB 13.



Note 15. Non-current assets - Property plant and equipment (continued)

Accounting policy for property, plant and equipment

Land and buildings are carried at cost, based on a periodic valuation performed every 3 years, valuations by external independent valuers, less subsequent depreciation and impairment for buildings. Impairments and depreciation identified during the period are recognised in the statement of profit and loss and other comprehensive income.

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Land is not depreciated. Depreciation on plant and equipment is calculated on a diminishing value basis to write off the net cost of each item over their expected useful lives. Depreciation on leasehold improvements is calculated on a straight line basis to write off the net cost of the items over the relevant lease term. The expected useful lives are as follows:

Motor vehicles	5 years
Technical equipment	3-10 years
Computer equipment	3 years
Plant and equipment	7 years
Office Equipment	8 years
Building	40 years
Leasehold improvement	the lease term

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Note 16. Non-current assets - exploration and evaluation

	Consolidated	
	2017	2016
	\$	\$
Exploration and evaluation	62,723,432	52,529,882
Less: Provision for impairment	<u>(51,559,561)</u>	<u>(47,357,247)</u>
	<u>11,163,871</u>	<u>5,172,635</u>



Note 16. Non-current assets - exploration and evaluation (continued)

Reconciliations

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

Consolidated	\$
Balance at 1 July 2015	52,118,429
Expenditure during the year	411,453
Provision for impairment	<u>(47,357,247)</u>
Balance at 30 June 2016	5,172,635
Additions through asset acquisitions	9,820,836
Expenditure during the year	223,196
Provision for impairment	<u>(4,052,796)</u>
Balance at 30 June 2017	<u><u>11,163,871</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 the financial year 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 significantly exceeded the carrying book value at 30 June 2017. Given the Victorian Governments 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 year the consolidated entity acquired a 100% NavGas Pty Ltd (NavGas) for cash consideration of \$400,000 for the initial 4% interest and the remaining 96% interest via the issue of 9.6 billion fully paid shares as approved by shareholders on 16 January 2016. During the year the independent experts report completed by SRK had valued ATP 1183 (the exploration license within NavGas) at a preferred value \$9,820,836 and therefore the company has deemed this valuation to be the deemed fair value.

During the year 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 consolidated entity also booked an impairment expense of \$3,897,112 on its Eagle California asset following an independent valuation that was completed by SRK Consulting.

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.

Accounting policy for exploration and evaluation assets

Costs arising from exploration activities are carried forward provided such costs are expected to be recouped through successful development or sale, or exploration activities have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. AASB 6 Exploration for and Evaluation of Mineral Resources requires that the company perform impairment tests on those assets when facts and circumstances suggest that the carrying amount may be impaired.

Exploration expenses are recognised net of exploration costs written off and rebate and grant income and joint operation contributions received. Rebate and grant income and joint operation contributions received in excess of net exploration costs are recognised as income. Costs carried forward in respect of an area of interest that is abandoned are written off in the year in which the decision to abandon is made.

Where a farminee (a farminee is a joint operation partner which earns an interest in a tenement by funding the costs of appraisal, development or exploration) contributes towards exploration expenditure, the exploration expenditure is deferred and then the deferred exploration expenditure is reduced by the value of the reimbursements received from the farminee.



Note 16. Non-current assets - exploration and evaluation (continued)

Restoration costs

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. Accordingly, these costs are recognised gradually over the life of the facility as these phases occur. The costs include obligations relating to reclamation, waste site closure, platform removal and other costs associated with the restoration of the site. These estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs that have been discounted to their present value. Any changes in the estimates are adjusted on a retrospective basis. In determining the restoration obligations, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to restoration of such wells in the future. Refer to note 21.

Note 17. Current liabilities - trade and other payables

	Consolidated	
	2017	2016
	\$	\$
Trade and accrued payables	1,153,133	661,549
Other payables	39,111	22,052
	<u>1,192,244</u>	<u>683,601</u>

Refer to note 25 for further information on financial instruments.

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) Accrued and other payables are non-interest bearing and are settled on 30 to 90 day terms, following billing by suppliers.

Accounting policy for trade payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at their nominal amount. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 18. Current liabilities - converting notes

	Consolidated	
	2017	2016
	\$	\$
Converting notes	133,039	216,360
	<u>133,039</u>	<u>216,360</u>

Refer to note 25 for further information on financial instruments.

The listed unsecured converting notes issued by Lakes Oil NL during the financial year are compound financial instruments. The liability component of these notes is initially recognised at the fair value of a comparable liability that does not have an equity conversion option. After initial recognition, the liability component of the compound financial instrument will be measured at amortised cost using the effective interest method.



Note 19. Current liabilities - borrowings

	Consolidated	
	2017	2016
	\$	\$
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 financial year the company negotiated an extension of the mortgage noted above, the loan is now repayable in January 2018.

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Note 20. Current liabilities - provisions

	Consolidated	
	2017	2016
	\$	\$
Annual leave	41,629	108,770
Long service leave	<u>59,429</u>	<u>93,765</u>
	<u>101,058</u>	<u>202,535</u>

Accounting policy for employee benefits

Short-term employee benefits

Liabilities arising in respect of wages and salaries, annual leave, and any other employee benefits expected to be settled wholly within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. The expected cost of short-term employment benefits in the form of compensated absences such as annual leave is recognised in the provision for employee benefits. All other short term employee benefit obligations are presented as payables. Employee benefit obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

Termination benefits

When applicable, the consolidated entity recognises a liability and expense for termination benefits at the earlier of:

- (a) the date when the entity can no longer withdraw the offer for termination benefits; and
- (b) when the entity recognises costs for restructuring pursuant to AASB 137: Provisions, Contingent Liabilities and Contingent Assets and the costs include termination benefits.

Defined contribution superannuation fund

The consolidated entity makes contributions to defined contribution superannuation plans in respect of employee services rendered during the year. These superannuation contributions are recognised as an expense in the same period as employee services are received.



Note 21. Non-current liabilities - provisions

	Consolidated	
	2017	2016
	\$	\$
Long service leave	7,458	8,461
Restoration costs	300,000	300,000
	<u>307,458</u>	<u>308,461</u>

Accounting policy for provisions

Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Accounting policy for other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled wholly within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 22. Equity - Share capital - ordinary shares and converting notes

	Consolidated			
	2017	2016	2017	2016
	No.	No.	\$	\$
Ordinary shares - fully paid	24,646,898,682	11,865,239,705	121,976,841	108,090,033
Converting notes (LKOGA) - fully paid	-	349,322	-	2,925,265
Converting notes (LKOGB) - fully paid	132,193	-	899,311	-
	<u>24,647,030,875</u>	<u>11,865,589,027</u>	<u>122,876,152</u>	<u>111,015,298</u>



Note 22. Equity - Share capital - ordinary shares and converting notes (continued)

The converting notes issued during the year ended 30 June 2015 were issued under a “limited disclosure” section 713 prospectus under the Corporations Act 2001 (Cth) dated 10 March 2015. Interest is payable half yearly at the rate of 50 cents per note, with the last payment due on 31 March 2017 equating to 10% per annum interest rate.

The maturity date (when conversion into shares occurs) was 31 March 2017. These notes offered early conversion opportunities to noteholders. Notes will also convert in the case of a change in control at 0.2 cents per share. The notes are not redeemable by Lakes Oil NL.

Each note converts into 5,000 shares. However if the 30 Day Average Closing Share Price prior to the maturity date is less than 0.2 cents, the number of shares received on conversion for each note will be increased to a maximum of 6,667 shares on the basis of an uplift factor formula (having regard to the 30 day Average Closing Share Price with a minimum price of 0.15 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.

During the year 349,322 (2016: 72,877) notes were converted into 2,176,581,250 fully paid ordinary shares (2016: 364,435,000).

During the year interest of \$346,650 was paid from funds held by equity trustees on behalf of the company (refer to note 12 for further information) to holders of converting notes (2016: \$399,428).

At the end of the year all LKOGA converting notes had matured (on issue at 30 June 2016: 349,322).

All interest payable to LKOGA noteholders was settled during the financial year (payable at 30 June 2016: \$216,360) which is held on trust by Equity Trustees Limited for the holders of notes and for their benefit for the payment of all future interest payments.

The converting notes issued during the year ended 30 June 2017 (LKOGBs) 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.

During the year 7,606 LKOGB notes were converted into 69,146,146 fully paid ordinary shares.

During the year interest of \$138,764 was paid from funds held by equity trustees on behalf of the company (refer to note 12 for further information) to holders of converting notes.

At the end of the year there were 132,193 converting notes on issue. These will convert into 1,201,766,563 fully paid ordinary shares at 9,091 shares per note, unless the maximum uplift factor of 10,000 applies in which case the notes will convert into 1,321,930,000 fully paid ordinary shares.

Future interest payable on the 132,193 notes on issue at the end of year is \$133,039 which is held on trust by Equity Trustees Limited for the holders of notes and for their benefit for the payment of all future interest payments



Note 22. Equity - Share capital - ordinary shares and converting notes (continued)

Movements in ordinary share capital

Details	Date	Shares		\$
Balance	1 July 2015	11,430,638,039		107,168,142
Early conversion of convertible notes	9 October 2015	227,815,000	-	381,550
Present value of interest returned on early conversion of converting notes		-	-	68,435
Early conversion of convertible notes	6 April 2016	136,620,000	-	228,815
Auction of forfeited partly paid shares		-	-	182,000
Present value of interest returned on early conversion of converting notes		-	-	27,324
Share based payments	29 June 2016	70,166,666	\$0.001	70,167
Note issue costs adjustments on conversion		-	-	(36,400)
Balance	30 June 2016	11,865,239,705		108,090,033
Shares issued on conversion of notes (LKOGA's)	7 October 2016	26,725,000	-	44,760
Issue of shares to an employee of the company	17 October 2016	30,000,000	\$0.001	30,000
Shares issued on conversion of notes (LKOGB's)	6 December 2016	18,818,370	-	17,158
Shares issued to DHR for NavGas Pty Ltd acquisition	18 January 2017	9,600,000,000	\$0.001	9,420,836
Shares issued to Directors in lieu of fees	20 January 2017	50,000,004	\$0.001	50,000
Issue of shares to an employee of the company	20 January 2017	10,000,000	\$0.001	10,000
Shares issued to the CEO	20 January 2017	18,055,556	\$0.001	18,056
Share issued on settlement of a liability	20 January 2017	25,000,000	\$0.001	25,000
Shares issued to the CEO	10 February 2017	9,027,778	\$0.001	9,028
Shares issued to Directors in lieu of fees	10 February 2017	4,166,664	\$0.002	8,333
Shares issued to the CEO	14 March 2017	9,027,778	\$0.001	9,028
Shares issued to Directors in lieu of fees	14 March 2017	4,166,664	\$0.002	8,333
Completion of Rights issue	24 March 2017	341,934,880	\$0.002	683,870
Shares issued on conversion of notes (LKOGA's)	7 April 2017	2,149,856,250	-	2,880,505
Shares issued to the CEO	11 April 2017	9,027,778	\$0.001	9,028
Shares issued to Directors in lieu of fees	11 April 2017	4,166,664	\$0.002	8,333
Shares issued to the CEO	11 May 2017	9,027,776	\$0.001	9,028
Shares issued to Directors in lieu of fees	11 May 2017	694,444	\$0.002	1,389
Completion of Rights issue and shortfall	5 June 2017	410,941,151	\$0.002	821,882
Shares issued on conversion of notes (LKOGB's)	7 June 2017	50,327,776	-	45,638
Shares issued to Directors in lieu of fees	13 June 2017	694,444	\$0.002	1,389
Capital raising costs and note issue costs adjustments on conversions		-	-	(224,786)
Balance	30 June 2017	<u>24,646,898,682</u>		<u>121,976,841</u>

Movements in converting notes on issue (LKOGA)

Details	Date	Converting notes	\$
Balance	1 July 2015	422,209	3,504,130
Conversion of converting notes	9 October 2015	(45,563)	(381,550)
Conversion of converting notes	6 April 2016	(27,324)	(228,815)
Note issue costs adjustment on conversion		-	31,500
Balance	30 June 2016	349,322	2,925,265
Conversion of converting notes	7 October 2016	(5,345)	(44,760)
Conversion of converting notes	7 April 2017	(343,977)	(2,880,505)
Balance	30 June 2017	<u>-</u>	<u>-</u>



Note 22. Equity - Share capital - ordinary shares and converting notes (continued)

Movements in converting notes on issue (LKOGB)

Details	Date	Converting notes	\$
Balance	1 July 2015	-	-
Balance	30 June 2016	-	-
Issue of converting notes	16 September 2016	44,299	368,208
Issue of converting notes	3 October 2016	58,000	481,343
Issue of converting notes	29 November 2016	37,500	309,245
Shares issued on conversion of notes	6 December 2016	(2,070)	(17,158)
Shares issued on conversion of notes	7 June 2017	(5,536)	(51,859)
Capital raising costs		-	(190,468)
Balance	30 June 2017	<u>132,193</u>	<u>899,311</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2016 Annual Report.

Accounting policy for issued capital

Ordinary shares are classified as equity and paid up capital is recognised at the fair value of the consideration received by the consolidated entity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.



Note 23. Equity - reserves

	Consolidated	Consolidated
	2017	2016
	\$	\$
Share-based payments reserve	<u>25,740</u>	<u>57,420</u>

Share-based payments reserve

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

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payments reserve \$
Balance at 1 July 2015	-
Share based payments	<u>57,420</u>
Balance at 30 June 2016	57,420
Lapse of options	<u>(31,680)</u>
Balance at 30 June 2017	<u><u>25,740</u></u>

Note 24. Equity - dividends

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

Note 25. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk.

The board of directors has overall responsibility for identifying and managing operational and financial risks.

The consolidated entity does not have any derivative instruments, except for the listed unsecured converting notes on issue. Refer to share capital note 22.

Market risk

Market or Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk).

Sensitivity analysis

Investments in listed securities at fair value through profit and loss are measured at fair value at reporting date based on current bid prices. If security prices were to increase/decrease by 10% from fair values as at the reporting date, assuming all other variables that might impact on fair value remain constant, then the impact on profit for the year and the equity is below. This risk is managed by monitoring security prices on a regular basis. The consolidated entity is no longer exposed to any material market of price risk as it sold all its investment in listed securities during the financial year.



Note 25. Financial instruments (continued)

	% change	Average price increase		% change	Average price decrease	
		Effect on profit after tax	Effect on equity		Effect on profit after tax	Effect on equity
Consolidated - 2017						
Listed securities	10%	-	-	10%	-	-
		<u> </u>	<u> </u>		<u> </u>	<u> </u>
Consolidated - 2016						
Listed securities	10%	92,404	92,404	10%	(92,404)	(92,404)
		<u> </u>	<u> </u>		<u> </u>	<u> </u>

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

The consolidated entity has \$1 million of fixed interest bearing debt as at 30 June 2017 (2016: \$1 million) and 132,193 \$10 converting notes on issue paying 10% per annum (2016: 349,322 \$10 notes).

Cash deposits attract interest at the prevailing floating interest rate. The interest rate risk on cash and cash equivalents does not have a material effect on the consolidated entity.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The maximum exposure to credit risk at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the consolidated statement of financial position and notes to the financial statements.

The consolidated entity does not have any material credit risk exposure to cash on hand or any single receivable or group of receivables under financial instruments entered into by the consolidated entity. This risk is managed by ensuring the consolidated entity only trades with parties that are able to trade on the consolidated entity's credit terms. Additionally cash at bank is held with a major Australian bank.

Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

Liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities. The consolidated entity continues monitor its cash reserves in relation to its contractual liabilities to determine that they have sufficient working capital to continue as a going concern. Refer to note 2 for going concern plans and uncertainties.



Note 25. Financial instruments (continued)

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2017	Weighted average interest rate %	Less than 6 months \$	Between 6 and 12 months \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	1,192,244	-	-	-	1,192,244
<i>Interest-bearing - variable</i>						
Borrowings	12.00%	-	1,000,000	-	-	1,000,000
Convertible notes payable	10.00%	-	133,039	-	-	133,039
Total non-derivatives		1,192,244	1,133,039	-	-	2,325,283

Consolidated - 2016	Weighted average interest rate %	Less than 6 months \$	Between 6 and 12 months \$	Between 1 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	683,601	-	-	-	683,601
<i>Interest-bearing - fixed rate</i>						
Borrowings	12.00%	-	1,000,000	-	-	1,000,000
Convertible notes payable	10.00%	216,360	-	-	-	216,360
Total non-derivatives		899,961	1,000,000	-	-	1,899,961

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

Assets and liabilities measured and recognised at fair value have been determined by the following fair value measurement hierarchy:

- Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 Input other than quoted prices included within Level 1 that are observable for the assets of liability, either directly or indirectly
- Level 3 Inputs for the asset or liability that are not based on observable market data.

All Investments held by the consolidated entity at fair value are valued in accordance AASB 13 at fair value through profit and loss and are classified as level 1 being instruments with quoted prices in active markets using the fair value hierarchy. The net fair value of financial assets and financial liabilities approximate their carrying amounts as disclosed in the consolidated statement of financial position and notes to the financial statements.



Note 25. Financial instruments (continued)

The fair values of financial assets and liabilities, together with their carrying amounts in the statement of financial position, for the consolidated entity are as follows:

Consolidated	2017		2016	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
Assets				
Cash and cash equivalents	593,176	593,176	761,818	761,818
Other receivables	141,472	141,472	86,249	86,249
Financial assets at fair value through profit and loss classified as held for trading	-	-	924,044	924,044
Other financial assets (excluding security deposits)	137,206	137,206	363,302	363,302
Held for sale assets	406,080	406,080	-	-
	<u>1,277,934</u>	<u>1,277,934</u>	<u>2,135,413</u>	<u>2,135,413</u>
Liabilities				
Trade and other payables	1,192,244	1,192,244	683,601	683,601
Borrowings	1,000,000	1,000,000	1,000,000	1,000,000
Converting notes	133,039	133,039	216,360	216,360
	<u>2,325,283</u>	<u>2,325,283</u>	<u>1,899,961</u>	<u>1,899,961</u>

Note 26. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2017 \$	2016 \$
Short-term employee benefits	669,853	1,155,079
Post-employment benefits	61,994	165,163
Long-term benefits	7,801	7,705
Termination benefits	50,342	350,000
Share-based payments	171,945	103,667
	<u>961,935</u>	<u>1,781,614</u>

Director transactions

All amounts paid to Directors and director-related entities were charged on commercial and arm's-length terms and conditions.

Two of the Directors of Lakes Oil NL Nicholas Mather and William Stubbs, are Directors of Armour Energy Ltd. Mr Robbert de Weijer, an Alternate Director of Lakes Oil NL, is the CEO of Armour Energy Ltd. Armour Energy Ltd is party to an agreement with Lakes Oil NL as described in the tenement table detailed in the shareholder information section.

Mr Nicholas Mathers' remuneration is settled via an entity that is controlled by Mr Mathers called Samuel Capital Pty Ltd. Mr Roland Sleemans' remuneration is also settled via an entity controlled by Mr Sleeman ATF The Sleeman Trust.



Note 26. Key management personnel disclosures (continued)

During the financial year the consolidated entity entered into a number of agreements with Dark Horse Resources Ltd (ASX: DHR), an entity which Nicholas Mather is a director. On 3 October 2016, the consolidated entity announced that it had received \$400,000 for the purchase of 40,000 LKOGB converting notes. The consolidated entity also announced that it had acquired a 4% equity interest in NavGas Pty Ltd (NavGas) from DHR for consideration of \$400,000.

On 6 October 2016, the consolidated entity announced that it had entered into a Heads of Agreement with DHR to acquire the remaining 96% interest in NavGas for consideration of 9,600,000,000 fully paid ordinary shares. The acquisition was completed on 18 January 2017 upon the consolidated entity receiving shareholder approval for the issues of shares.

The consolidated entity also entered into an underwriting agreement with DGR Global Limited (ASX: DGR) in which DGR agreed to manage and underwrite the non-renounceable rights issue announced on 14 February 2017. Nicholas Mather and William Stubbs are directors of DGR Global Ltd and is therefore considered a director related entity. The rights issue was partially underwritten for \$1,500,000 of which DGR would be paid an underwriting fee of 6% amounting \$90,000.

Note 27. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Pitcher Partners, the auditor of the company:

	Consolidated	
	2017	2016
	\$	\$
<i>Audit services - Pitcher Partners</i>		
Audit or review of the financial statements	93,200	65,750
<i>Other services - Pitcher Partners</i>		
Taxation services	15,555	9,400
	<u>108,755</u>	<u>75,150</u>

Note 28. Contingent assets

There were no contingent assets at 30 June 2017 and 30 June 2016.

Note 29. Contingent liabilities

There were no contingent liabilities at 30 June 2017 and 30 June 2016.



Note 30. Commitments

	Consolidated	
	2017	2016
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	179,555	173,483
One to five years	60,534	240,089
	<u>240,089</u>	<u>413,572</u>
<i>Bank guarantees in relation to rental premises and exploration permits</i>		
Maximum amount bank may call	<u>110,500</u>	<u>151,000</u>

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 six years. Each work program has minimum expenditure and exploration activity requirements which must be satisfied to retain the permit.

The current financial commitment as at 30 June 2017 on the work programs across all tenements for the next 24 months is \$16.5m (30 June 2016: \$2.8m). Approximately \$15.2m of this commitment relates to our three Queensland licences. Following applications by the entity for a 2 year extension to extend the permit to 6 years from the original 4 years the work programs for each of these three licenses have recently been extended out to 30 June 2020.

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 \$12.7m.

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 31. Related party transactions

Ultimate parent

Lakes Oil NL is the ultimate Australian parent entity.

Interests in subsidiaries are set out in note 33.

Director-related entity

Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

Director transactions

All amounts paid to Directors and director-related entities were charged on commercial and arm's-length terms and conditions.

Two of the Directors of Lakes Oil NL Nicholas Mather and William Stubbs, are Directors of Armour Energy Ltd. Mr Robbert de Weijer, an Alternate Director of Lakes Oil NL, is the CEO of Armour Energy Ltd. Armour Energy Ltd is party to an agreement with Lakes Oil NL as described in the tenement table detailed in the shareholder information section.



Note 31. Related party transactions (continued)

During the financial year the consolidated entity entered into a number of agreements with Dark Horse Resources Ltd (ASX: DHR), an entity which Nicholas Mather is a director. On 3 October 2016, the consolidated entity announced that it had received \$400,000 for the purchase of 40,000 LKOGB converting notes. The consolidated entity also announced that it had acquired a 4% equity interest in NavGas Pty Ltd (NavGas) from DHR for consideration of \$400,000.

On 6 October 2016, the consolidated entity announced that it had entered into a Heads of Agreement with DHR to acquire the remaining 96% interest in NavGas for consideration of 9,600,000,000 fully paid ordinary shares. The acquisition was completed on 18 January 2017 upon the consolidated entity receiving shareholder approval for the issues of shares.

The consolidated entity also entered into an underwriting agreement with DGR Global Limited (ASX: DGR) in which DGR agreed to manage and underwrite the non-renounceable rights issue announced on 14 February 2017. Nicholas Mather and William Stubbs are directors of DGR Global Ltd and is therefore considered a director related entity. The rights issue was partially underwritten for \$1,500,000 of which DGR would be paid an underwriting fee of 6% amounting \$90,000.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2017	2016
	\$	\$
Current receivables:		
Trade receivables from director related entity Vivid Technology Limited (Formerly Greenerth Energy Limited)	-	75,125
Trade receivables from director related entity Amour Energy Ltd	49,668	-

As noted above two of the Directors of Lakes Oil NL Nicholas Mather and William Stubbs, are Directors of Armour Energy Ltd and as at 30 June 2017 an amount of \$49,668 was receivable from Amour Energy Ltd.

During the prior financial years, Lakes Oil NL settled accounts with consultants and contractors on behalf of Vivid Technology Limited (Formerly Greenerth Energy). As at 30 June 2016 an amount of \$75,125 was receivable from Vivid Technology Limited. During the financial year Vivid Technology Limited (Formerly Greenerth Energy) were no longer classed as a related party.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Note 32. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2017	2016
	\$	\$
Loss after income tax	(7,751,898)	(2,221,305)
Total comprehensive income	(7,751,898)	(2,221,305)



Note 32. Parent entity information (continued)

Statement of financial position

	Parent	
	2017	2016
	\$	\$
Total current assets	788,846	2,034,929
Total assets	6,609,035	49,581,123
Total current liabilities	1,426,341	1,091,205
Total liabilities	1,433,799	1,099,666
Equity		
Share capital - ordinary shares and converting notes	122,875,864	111,015,010
Share-based payments reserve	25,740	57,420
Accumulated losses	(117,726,368)	(62,590,973)
Total equity	<u>5,175,236</u>	<u>48,481,457</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

With the exception of the matter referred to below, the parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2016 and 30 June 2017.

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 financial year the company negotiated an extension of the mortgage noted above, the loan is now repayable during January 2018.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2017.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016 and 30 June 2017.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.



Note 33. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2017 %	2016 %
Commonwealth Mining Pty Ltd	Australia	100.00%	100.00%
EOIL Pty Ltd	Australia	100.00%	100.00%
Gippsland Petroleum Pty Ltd	Australia	100.00%	100.00%
Mirboo Ridge Pty Ltd	Australia	100.00%	100.00%
Otway Resources Pty Ltd	Australia	100.00%	100.00%
Owens Lane Pty Ltd	Australia	100.00%	100.00%
Petro Tech Pty Ltd	Australia	100.00%	100.00%
Geothermal Energy Victoria Pty Ltd	Australia	100.00%	100.00%
Portland Energy Project Pty Ltd	Australia	100.00%	100.00%
The Gippsland Gas Corporation Pty Ltd	Australia	100.00%	100.00%
Three Corners Oil & Gas Pty Ltd	Australia	100.00%	100.00%
Lakes Oil Inc.	USA	100.00%	100.00%
NavGas Pty Ltd*	Australia	100.00%	-
Mingoola Gold Pty Ltd**	Australia	100.00%	-

* The consolidated entity acquired its initial 4% equity interest on 3 October 2017 with the remaining 96% interest acquired on 18 January 2017.

** The consolidated entity acquired 100% of this entity on 1 May 2017.

Note 34. Events after the reporting period

On 10 July 2017, the consolidated entity issued 1,388,890 fully paid ordinary shares to directors in lieu of fees as approved at the company's Annual General Meeting held on 16 January 2017.

On 9 August 2017, the consolidated entity issued 1,388,890 fully paid ordinary shares to directors in lieu of fees as approved at the company's Annual General Meeting held on 16 January 2017.

On 13 September 2017, the consolidated entity issued 3,421,640 fully paid ordinary shares to directors in lieu of fees as approved at the company's Annual General Meeting held on 16 January 2017.

During September 2017, the consolidated entity sold a section of land which was subdivided and was classified as a held for sale asset at 30 June 2017 in the amount of \$406,080 and is intended to be used to reduce the company's mortgage.

No other matter or circumstance has arisen since 30 June 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 35. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2017	2016
	\$	\$
Loss after income tax expense for the year	(7,606,299)	(49,588,605)
Adjustments for:		
Depreciation and amortisation	26,812	39,647
Write off of non-current assets	4,130,205	47,357,247
Net loss on disposal of non-current assets	231,002	-
Net fair value loss/(gain) on other financial assets	(41,375)	179,291
Share-based payments	171,945	127,587
Non-cash interest	7,477	12,703
Capital raising fee	(22,623)	7,067
Change in operating assets and liabilities:		
Decrease/(increase) in exploration and evaluation costs carried forward	-	(423,331)
Decrease in receivables	(55,224)	(8,163)
Decrease in other current assets	11,191	(1,044)
Increase in trade and other payables	518,383	135,522
Decrease in employee benefits	(112,506)	(39,304)
Net cash used in operating activities	<u>(2,741,012)</u>	<u>(2,201,383)</u>

Note 36. Loss per share

	Consolidated	
	2017	2016
	\$	\$
Loss after income tax attributable to the owners of Lakes Oil NL	<u>(7,606,299)</u>	<u>(49,588,605)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>16,880,066,236</u>	<u>11,865,239,705</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>16,880,066,236</u>	<u>11,865,239,705</u>
	Cents	Cents
Basic loss per share	(0.05)	(0.42)
Diluted loss per share	(0.05)	(0.42)

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

Accounting policy for earnings per share

Basic earnings loss share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Lakes Oil NL, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.



Note 36. Loss per share (continued)

Diluted earnings loss share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 37. Share-based payments

Set out below are summaries of options granted under the plan:

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Forfeited*	Balance at the end of the year
08/01/2016	08/01/2021	\$0.005	58,000,000	-	-	(32,000,000)	26,000,000
			58,000,000	-	-	(32,000,000)	26,000,000
Weighted average exercise price			\$0.005	\$0.000	\$0.000	\$0.005	\$0.005

* Employee options lapsed due to cessation of employment with the company as set out within the employee offer letter.

The 58,000,000 options issued during the prior financial year have been valued using the Black Scholes method.

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
08/01/2016	08/01/2021	\$0.005	-	58,000,000	-	-	58,000,000
			-	58,000,000	-	-	58,000,000
Weighted average exercise price			\$0.000	\$0.005	\$0.000	\$0.000	\$0.005

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2017 Number	2016 Number
08/01/2016	08/01/2021	26,000,000	58,000,000
		<u>26,000,000</u>	<u>58,000,000</u>

The weighted average share price during the financial year was \$0.001 (2016: \$0.002).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3.5 years (2016:4.5 years).

The options listed above were granted to employees of the company (non-director) pursuant to their respective remuneration packages. The options were issued as incentive based remuneration to align employee and company strategy's. The options vested upon issue with an expiry date of 8 January 2016 or 60 days after cessation of employment. The expected volatility has been calculated using the trading history of the consolidated entity over the previous 5 years prior to issue which is consistent with the life of the option.



Note 37. Share-based payments (continued)

During the financial year the consolidated entity issued a total of 54,166,666 fully paid ordinary share to the CEO in accordance with his remuneration package.

A total of 63,888,884 fully paid ordinary share were issued to directors in lieu of directors fees as approved at the company's Annual General Meeting held on 16 January 2017.

A total of 40,000,000 fully paid ordinary shares were issued to an employee of the company in lieu of fees.

Accounting policy for share-based payments

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(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 September 2017

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
LAKES OIL NL AND CONTROLLED ENTITIES

Report on the Audit of the Financial Report

Disclaimer of Opinion

We were engaged to audit the financial report of Lakes Oil NL "the Company" and its controlled entities "the consolidated entity", which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

We do not express an opinion on the accompanying financial report of the consolidated entity. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

Basis for Disclaimer of Opinion

The consolidated entity's ability to continue as a going concern is dependent on obtaining additional funding. As at the date of this report the consolidated entity has been unable to secure unconditional commitments to provide sufficient funding to ensure the consolidated entity is a going concern. As described in Note 2 Going Concern, the Directors believe that the consolidated entity will secure sufficient funding, however, at the date of this auditor's report the consolidated entity and its Directors have been unable to provide sufficient evidence of unconditional committed funding for the cash requirements of the consolidated entity for the twelve months from the date of this auditor's report. In addition we have been unable to obtain sufficient and appropriate alternative evidence as to whether the consolidated entity may be able to obtain such financing or be successful with alternative measures, and hence have not been able to remove significant doubt of its ability to continue as a going concern within twelve months of the date of this auditor's report.

Responsibilities of Management and Those Charged with Governance for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In preparing the financial report, the directors are responsible for assessing the ability of the consolidated entity to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the consolidated entity or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
LAKES OIL NL AND CONTROLLED ENTITIES

Auditor's Responsibilities for the Audit of the Financial Report

Our responsibility is to conduct an audit of the consolidated entity's financial report in accordance with Australian Auditing Standards and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report

We are independent of the consolidated entity 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* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Report on Other Legal and Regulatory Requirements

Opinion on the Remuneration Report

We have audited the Remuneration Report included on pages 23 to 29 of the directors' report for the year ended 30 June 2017. In our opinion, the Remuneration Report of Lakes Oil NL and controlled entities, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



B POWERS
Partner



PITCHER PARTNERS
Melbourne

28 September 2017

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The shareholder information set out below was applicable as at 21 September 2017.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of listed converting notes (LKOGB)	Number of holders of options over ordinary shares
1 to 1,000	347	454	-
1,001 to 5,000	225	-	-
5,001 to 10,000	413	2	-
10,001 to 100,000	3,783	2	-
100,001 and over	6,579	-	2
	<u>11,347</u>	<u>458</u>	<u>2</u>
Holding less than a marketable parcel	<u>8,032</u>	<u>328</u>	<u>-</u>

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares Number held	% of total shares issued
Dark Horse Resources Limited	9,278,407,344	37.64
Timeview Enterprises Pty Ltd	3,389,375,000	13.75
Armour Energy Ltd	2,125,000,000	8.62
DGR Global Limited	408,065,120	1.66
Peter Bubendorfer (P A J Bubendorfer Family A/C)	199,081,164	0.81
Douglas William Haynes	122,511,492	0.50
Marew Enterprises Pty Ltd (Parr Family A/C)	120,000,000	0.49
Mr Albert Edward Bennetts	75,000,000	0.30
Mr Roland Kingsbury Sleeman	57,083,332	0.23
Mr Peter John Bellgrove (Peter Bell Grove Fam S/F A/C)	53,930,848	0.22
T Penny Superannuation Fund Pty Ltd (T Penny Super Fund A/C)	45,253,924	0.18
Dymax Consultants Pty Ltd (Dymax Directors S/Fund A/C)	43,890,916	0.18
Mr David Corley	43,756,000	0.18
Mr Gabriel Berger	42,293,750	0.17
Mr Ian Douglas Johnston	41,495,625	0.17
Mr Andrew William Arbon + Mrs Suzanne Ruth Arbon	40,833,500	0.17
Mr Gary Flanigan + Mrs Helen Flanigan (GR & HM Flanigan S/F A/C)	40,625,000	0.16
Selstock Pty Limited (Superannuation Fund A/C)	38,000,000	0.15
Jbwere (NZ) Nominees Limited (43941 A/C)	37,735,901	0.15
PBL Investments Pty Ltd (Peter Begg Lawrence S/F A/C)	37,158,103	0.15
	<u>16,239,497,019</u>	<u>65.88</u>



	Convertible Notes (LKOGB)	(LKOGB) % of total notes issued
	Number held	
Dark Horse Resources Limited	40,000	30.26
DGR Global Limited	36,750	27.80
Robert Lindsay McDowell	9,375	7.09
Alan Geoffrey Stevens + Helen Stevens (Stevens Super Fund A/C)	9,375	7.09
Mr Gabriel Berger	1,000	0.76
Environmental Strategists Pty Ltd (Kawecki Discretionary 3 A/C)	1,000	0.76
Family Office Strategists Pty Ltd (Kawecki Discretionary 1 A/C)	1,000	0.76
Forex Arbitrage Pty Ltd (Kawecki 2 A/C)	1,000	0.76
Funding Strategists Pty Ltd (Kawecki Discretionary 4 A/C)	1,000	0.76
Mr William John Pace	1,000	0.76
Selstock Pty Limited (Superannuation Fund A/C)	1,000	0.76
Superannuation Strategists Pty Ltd (Kawecki Discretionary 5 A/C)	1,000	0.76
T Penny Superannuation Fund Pty Ltd (T Penny Super Fund A/C)	1,000	0.76
Mr Nick Drivas + Mrs Val Drivas	700	0.53
Mr Robin John Lawrie + Mrs Suzanne Gaynor Lawrie	542	0.41
Mr Alfred Otto Kuehne	520	0.39
BCP Superannuation Fund Pty Ltd (BCP Superannuation Fund A/C)	500	0.38
Mrs Lorraine Helen Carey	500	0.38
Stuart Henry Hansen	500	0.38
Mr Paul William Kempinski	500	0.38
	108,262	81.93

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	26,000,000	2
Performance rights over ordinary shares issued	752,876,031	685

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares % of total shares issued
Number held	
Dark Horse Resources Limited	9,278,407,344 37.64
Timeview Enterprises Pty Ltd	3,389,375,000 13.75
Armour Energy Ltd	2,125,000,000 8.62

	Convertible Notes (LKOGB)	Convertible Notes (LKOGB) % of total notes issued
Number held		

Dark Horse Resources Limited	40,000	30.26
DGR Global Limited	36,750	27.80
Robert Lindsay McDowell	9,375	7.09
Alan Geoffrey Stevens + Helen Stevens (Stevens Super Fund A/C)	9,375	7.09



Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Tenements

Location (basin name)	Joint operation or Permit name	Interest owned %
Otway	PEP 163	100.00
Otway	PEP167	100.00
Otway	PEP 169	49.00
Otway	PEP175	100.00
Gippsland	PRL 2–Overall Permit	100.00
Gippsland	PRL 2–Trifon Field	57.50
Gippsland	PRL 3	100.00
Gippsland	PEP 166	75.00
Gippsland	VIC/P43(V)	100.00
Gippsland	VIC/P44(V)	100.00
Eromanga/Cooper E	ATP642P	100.00
Eromanga/Cooper E	ATP662P	100.00
California USA	Eagle Prospect	17.96
Surat/Bowen	ATP 1183	100.00
Pirie Torrens, SA	EL 5690	100.00
Pirie Torrens, SA	EL 5693	100.00
Pirie Torrens, SA	EL 5694	100.00
Pirie Torrens, SA	EL 5695	100.00
Pirie Torrens, SA	EL 5700	100.00