Research as a Service

Lakes Blue Energy NL

Re-listing Report

The proof is in the drilling

Energy

27th January 2022

Lakes Blue Energy NL (ASX:LKO) is a junior energy explorer with assets across southern and eastern Australia (and PNG). The company has been listed on the ASX since December 1985. With a market offering under way, a return to trading is expected by 2-February; and, with the drilling of the Wellesley-2 prospect, Lakes will commence the evaluation of its exploration portfolio. Wellesley drilling and perhaps a return to the Wombat Gas Project both have the capacity to materially change the structure and value base of the company. Success cases could be commercialised relatively rapidly and at low capital costs, underpinning a transition towards production. We see a strong continuing role for gas in the energy transition and highlight the continuing favourable operating environment. Crystallising the inherent value is dependent on successful drilling outcomes and the company's capacity to continue to secure financing, but certainly the opportunity set looks attractive with a number of potential event drivers through 2022.

Scope of this report

This report has been commissioned by Lakes Blue Energy NL to present investors with an analysis of the opportunities emerging for the company over 2022. Due to the early-phase nature of the portfolio, investors should consider this a high-risk investment.

Business model

Lakes Blue Energy is a junior energy company holding extensive acreage across three Australian states (and PNG), dominantly focussed on exploring for gas. Although the company has been suspended from trading since October 2019, tangible progress has been made across the portfolio with a commercial discovery (industrial CO_2) at Nangwarry, the imminent commencement of drilling at Wellesley-2 and with the lifting of Victorian exploration moratorium (as of 1-Jul-2020), the potential for drilling evaluation on its Wombat Gas Project. We suggest the success cases at Wellesley and Wombat could be commercialised quite rapidly.

Scenario analysis

We have evaluated the LKO portfolio against a range of risk factors based on our assessment of the operating environment, commodity prices, timing and scale of work programmes; and potential timeline to development and financing. Our assumptions are subject to potentially significant adjustment as definitive drilling results come to hand. We highlight the changes in the industry over the past 24 months with the emergence and acceleration of renewable energy options and increased development risks for traditional energy sources. However, we are confident natural gas will continue to be a required energy option through and perhaps well beyond a reasonable investment window.

Valuation of $206mn (0.5cps) at the mid-point

Valuing early-phase exploration assets is a subjective exercise, particularly when work programmes and financing are uncertain. We base our valuation on typical unit NPV values across a range of pricing scenarios and resources estimates, applying discretionary weightings to pricing, volume and success factors. We assign a base-case (mid-point) valuation of $206mn (0.5cps) to LKO, with an upside case to $337mn (0.8cps). Assuming a relisting reference share price (0.1cps) would suggest the market is appropriately weighting the asset base for the current operational and corporate risks. **We note the success cases for Wellesley-2 and (particularly) the Wombat Gas Project would result in a material unwinding of risk weightings and reset of the economic base cases, delivering potentially transformative upside, likely well in excess of our valuation range …** such is the nature and attraction of exploration plays.

Share Details

ASX code	LKO
Share price (**In suspension**)	$0.001
Market capitalisation	$42M
Shares on issue (projected)	42,382M
Net cash (RaaS est post-raising)	$5.42M
Free float	47.3%

Upside Case

- Drilling success at Wellesley crystallises a commercial outcome
- A return to activity at the Wombat Gas Project could deliver a transformational production opportunity, perhaps deliverable within 24 months
- Success opens alternate financing options and restricts dilution

Downside Case

- Wellesley-2 is unsuccessful with impact across remainder of high-risk exploration portfolio
- The proposed Wombat-5 drilling is delayed into 2023 with little tangible field work remaining through this year
- Continuing financing reliance through equity issues or high-cost Convertible Notes – dilutionary effects rendering capitalisation somewhat meaningless

Board of Directors

Roland Sleeman	CEO/Managing Director
Richard Ash	Non-Executive Chairman
Nick Mather	Non-Executive Director

Company Contact

Roland Sleeman +613 9629 1566

lakes@lakesoil.com.au

RaaS Contacts

Andrew Williams +61 417 880 680 andrew.williams@raasgroup.com

Finola Burke +61 414 354 712 finola.burke@raasgroup.com

Table of contents

Lakes Blue Energy NL – Back On The Boards

Lakes Blue Energy NL (ASX:LKO) – formerly Lakes Oil NL – has been listed on the ASX since December 1985 and been in suspension since October 2019. Management expects to recommence trading from 2-Feb. The company represents an early-stage exploration play and holds significant exploration tenements across three Australian states and onshore PNG. Although the company has been in suspension, it has delivered tangible progress across its portfolio with a commercial, industrial CO_2 discovery at Nangwarry and the imminent drilling of the Wellesley-2 prospect in Queensland. Additionally, the removal of the Victorian drilling moratorium should catalyse evaluation activity on the Wombat/Trifon gas discoveries, which have been ascribed >700Bcf at 2C (Contingent Resource). We suggest success cases at Wellesley and Wombat could be commercialised quite rapidly.

Exhibit 1: LKO NAV – Mid-point NAV represents a realistic success-case range

			Risked range (A$mn) est.			
			Low*	Mid	High	
Wellesley	ATP 1183	100%	$20	$40	$100	Prospective gas opportunity of c.41Bcf with drilling imminent. LKO ascribed a POS = 38%
Wombat	PRL 2	100%	$20	$72	$90	Asset contains 2C volumes representing lower risk outcomes … the gas is there awaiting a defined development (well) model
Trifon	PRL 2	57.5%	$10	$40	$60	2C volumes ascribed and valued as per Wombat; a lower weighting is applied based on Trifon as longer-dated production
Nangwarry	PRL 249	50%	$10	$20	$30	Risk weighted at 50% and subject to further project definition including guidance on pricing
Other Victoria	Various		$5	$20	$40	Nominal only
Other SA	Various		$2	$3	$5	Nominal only
Other Queensland	Various	100%	$6	$11	$20	Nominal only
PNG	Various	93%	$8	$8	$8	Prospective resources (only) suggest commercial outcomes (gas) would likely be tied to export projects – domestic opportunities are likely too small and capex requirements too high
			$81	**$213**	**$384**	
Net cash/(debt)				($5)		As indicated in the Prospectus (p.40)
Corporate				($2)		
TOTAL			**$74**	**$206**	**$377**	
Shares issued (mn)		42,382	0.2cps	0.5cps	0.9cps	Post-capital raise as estimated
Diluted for Convertible Note exercise		53,304		0.4cps		There are currently 10,921mn notes on issue convertible on a 1:1 basis

Source: RaaS analysis; Risked ranges based on company ratings for drilling and a discretionary RaaS risk adjustment

Risk Adjusted Asset Valuation at $206mn (Mid-Point)

We value LKO using estimated unit values on Contingent and Prospective Resources adjusted for our discretionary probability weighting (1-risk %), to derive a gross portfolio worth. Probability weightings are subject to change as the company delivers exploration results and operating and market conditions evolve.

The portfolio can be considered as early-stage exploration and resource estimates are subject to potentially material change related to drilling results.

Intuitively, we suggest our ascribed value is not unreasonable given the location of the assets and position along the evaluation curve, particularly accounting for the subjective nature of assumed risk weightings. **However, success cases can provide transformational upside**.

There's Intrinsic Value In Exploration

At this stage we ascribe only nominal values against the remainder of the portfolio. Although the case can be made for significant prospectivity across the assets, the realisation of that value is dependent on sourcing capital through equity markets or partnering (financial carry) arrangements. We do not imply there is no intrinsic value but rather reflect on the risk weightings associated with early-stage activity and financing options (potentially dilutive) associated with timely activity in a large portfolio.

We have highlighted the three projects where work has been commited (Wellesley), where activity may commence in 2022 (Wombat) and where material de-risking has been achieved (Nangwarry).

Exhibit 2: The portfolio has potential that can only be defined by drilling success, but the opportunities could be transformational

Location	Licence	Interest (%)	Prospect	Petroleum fluid/ Units	Resource type	Low Estimate	Best Estimate	High Estimate
			Wellesley	Gas (Bcf)	Prospective	22.1	41.0	76.0
Surat	ATP 1183[1]	100.0	Bendee	Oil (MMbbl)	Prospective	0.5	1.0	2.1
			Major East	Gas (Bcf)	Prospective	7.0	13.8	26.5
			Emu Apple	Oil (MMbbl)	Prospective	1.8	3.4	6.8
Otway	PRL 249[2]	50.0	Nangwarry	Gas (Bcf)	Contingent	4.5	12.9	32.2
Otway	PEP 175[1]	100.0	Portland	Gas (Bcf)	Prospective	3,943	11,469	25,477
Gippsland	PRL 2[3]	100.0	Wombat field	Gas (Bcf)	Contingent	258.0	329.0	628.0
Gippsland	PRL 2[3] (Trifon)	57.5	Trifon	Gas (Bcf)	Contingent	126	390	526
Gippsland	PRL 2[3]	100.0	Baragwanath	Gas (Bcf)	Prospective	156	701	2,523
Gippsland	PEP 166[4]	75.0		Gas (Bcf)	GIIP	329	1704	26258
Cape Vogel Basin, PNG	PPL 560[5]	100.0	Buna	Gas (Bcf)	Prospective	1848	3316	5532
			West Buna	Gas (Bcf)	Prospective	105	208	371
			Kumasi North	Gas (Bcf)	Prospective	143	274	489
			Kumasi South	Gas (Bcf)	Prospective	91	193	363
North New Guinea Basin, PNG	PPL 549[5]	100.0	Matapau	Oil (MMbbl)	Prospective	1	4.4	20

Source: Company data

We note significant resource potential throughout the portfolio, which is heavily weighted towards Prospective and 'in-place' volumes, which places the associated risk at the high end of the spectrum. The realisation of value is dependent on the success of drilling outcomes, which remains uncertain with respect to timing and financing.

Our ascribed value is subjective and dependent on a number of probability (risk-weighted) factors, including but not limited to, the company's assessment of drilling probability of success (POS) and RaaS risk weightings, particularly on conversion of Contingent, Prospective or 'in-place' resources to 'bankable' volumes.

Investment in exploration companies is by definition a speculative undertaking but generally underpinned by **the transformational potential of the assets, and this applies to Lakes where the success-case outcomes on a number of projects in the portfolio offer 'multiples' in terms of upside** above our value range.

We caution that financing through the resource definition and evaluation phases is likely to be equity-based (or in the case of Convertible Notes, equity-linked), and at some point, we'd suggest a capital reconstruction will be required.

The most critical variable in our valuation is drilling success or securing partner financing. Successful outcomes could have a multiplying effect on a look-through basis to other parts of the asset portfolio.

Let The Gas Chase Commence

Lakes Blue Energy NL (ASX:LKO) – formerly Lakes Oil NL – is on the cusp of securing a resumption of trading after a suspension of around 28 months.

We have previously reviewed the LKO asset portfolio in a **Scoping Report 19 December 2019,** noting the intrinsic value inherent in the company's exploration portfolio, subject to successful drilling outcomes and commercial agreements. We confine our update to the gas plays at Wellesley, Wombat and Nangwarry as being those assets with the potential to support a price re-rating in 2022.

To facilitate the recommencement of trading, the company has addressed the following ASX-imposed conditions:

- Commencement of Wellesley-2 operations through pre-drill civil works (construction of well pad and access roads) ahead of a rig commitment and mobilisation.
  Drilling is expected to commence by around the end of January, with the well taking 10-14 days to complete.
- Lodgement of a full-form Prospectus seeking to raise between $3.55-5.49mn, which would include some $4.343mn (full subscription) under the Prospectus offering. We understand $2.404mn has already been secured via advance subscriptions and underwriting commitments; and $1.146mn via a share placement, meaning committed funds total $3.55mn. ***Refer p.8 of Replacement Prospectus***

We highlight that of the assets being reviewed only Wellesley is subject to firm work and capital commitments through 2022 at this stage.

As indicated by management in the Prospectus, success at Wellesley can be used *"… to fund commercialisation of the Wombat field in Victoria and then, to explore further income generating opportunities in Victoria and PNG.*

Funds raised in excess of the Minimum Subscription will be applied toward meeting the cost of a production flowline for Wellesley gas (if the Wellesley-2 well is successful) or otherwise toward the cost of drilling the Wombat-5 well in Victoria."

Details with respect to uses of funds are included in Appendix A.

Wellesley-2 – A Gas Play In Queensland

Surat Basin, Roma Shelf Project (ATP 1183, LKO 100%)

The Wellesley Dome prospects are located within ATP 1183 which is considered to be highly prospective for oil, gas and condensate, lying within close proximity to established production facilities and infrastructure, particularly and immediately to the north of the Wellesley prospect (refer **Exhibit 3**).

The company submitted a renewal application on the permit in May 2020 with a minimum work commitment of two wells - one well in Year-2 and one well in Year-4.

Although the area has historically been explored for oil we see the immediate commercial opportunity of significance as gas, where domestic prices in Queensland are currently tagging between $8.50-9.00/gj at the well head.

The nominal probability of success (POS) for the well is 38% (company estimate) based on the results of the Wellesley-1 (W-1) well drilled by BHP Petroleum in 1979, which intersected:

- Over 20m of thick, clean Boxvale Sandstone as the primary reservoir target;
- Good porosity (averaging 28% and ranging 23-30%); and
- 'Fair' gas shows (5-12 units) – against a background level of essentially 'zero'. These levels can be considered significant in an absolute sense and in the current gas market would most certainly be tested.

Given the prevailing gas prices in 1979, in the order of $2.50/gj, gas was not considered to be a commercial priority and understandably the gas shows were not fully evaluated.

Wellesley-1 was drilled to target a liquids (oil/condensate) leg to the prospect, so was situated at the then edge of the mapped structure, perhaps even outside closure (**Exhibit 5**). A working interpretation suggests W-1 may show gas sitting on an underlying shale unit, proving a natural bottom seal, although this is not clearly defined on the logs and as a hypothesis can only be confirmed with the drilling of the W-2 well.

The pre-drill POS can be considered to be relatively high. Exploration is an intrinsically risky activity and Wellesley does hold some critical risks, particularly with respect to reservoir continuity and permeability (flow rates).

The company proposes to drill the Wellesley-2 well some 700m to the NNE of Wellesley-1, to a depth of around 1,600m. Drilling operations should take some 10-14 days. Note this is a change of location as indicated on **Exhibit 5** but remains located on the high point of the structure ... *estimated revised location as designated*.

Seismic control is sufficient to define the prospect on a c.1km grid pattern. Mapping of the target (**Exhibit 5**) suggests the prospect is fault-bound to the west, subtle and relatively flat lying. As long as the location is clearly sited within structural closure, drilling results should be able to be confidently extrapolated across the feature. Well correlations indicate the Boxvale sand is pretty consistent, ranging between 15-25m in thickness.

The W-1 well logs are somewhat dated (1979 vintage) and comprise a basic suite of GR Sonic and resistivity and interpretations should be considered as indicative rather than absolute.

Cuttings descriptions do provide a look-through to permeability in a qualitative sense. An estimate for Wellesley could be up to 100md (milli-darcies), which has been evidenced and correlates reasonably well with analogue wells in the immediate vicinity.

Although 100md can be considered somewhat 'tight' in reservoir terms, it can be very deliverable for gas discoveries – but more problematic for liquids. In that regard, a high liquids content (condensate-gas ratio

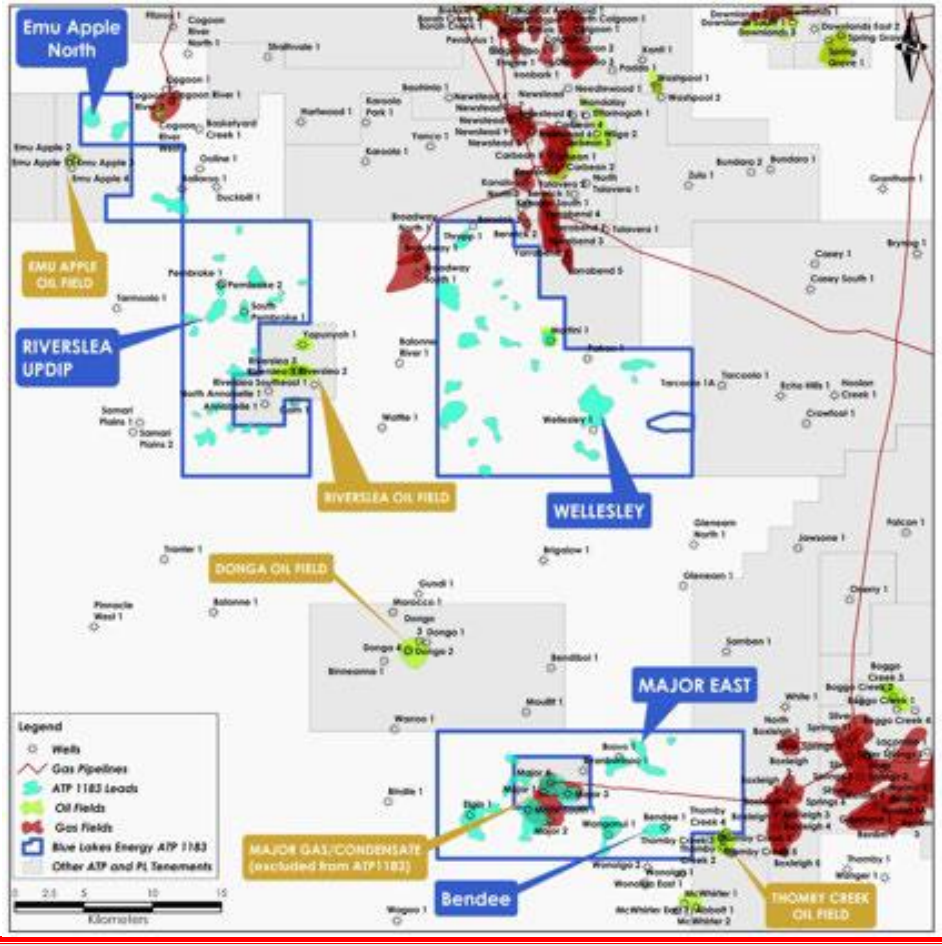
[CGR]) outcome could require some reservoir stimulation, however, nearby wells have been productive without the need for fracking.

The well is budgeted at ~$1.6mn to drill on a dry-hole basis at this stage. If required, stimulation activity could likely be undertaken before end-2022.

On success, the short tie-back distances should deliver low development capex costs, whilst the current strength in gas markets lowers the economic reserves threshold, making even a small discovery readily commercial within a short time-frame, subject to flow rates. A discovery could be readily tied back via a simple raw gas pipeline connection into underutilised processing hubs.

Success would also lift the ascribed prospectivity of the remainder of the exploration portfolio, lowering the commercial threshold further still, with Wellesley providing the basis of a production hub.

Exhibit 3: Gas prospects through ATP 1183 should be readily developable on success



Source: Company data

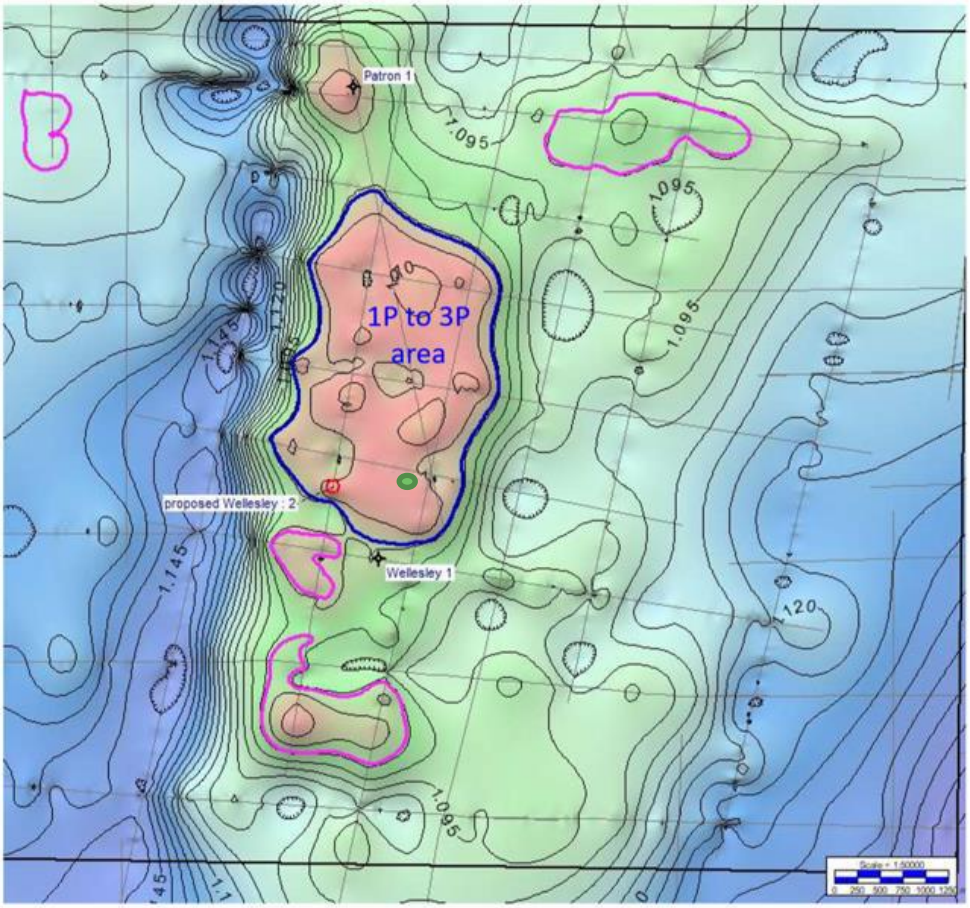
There are a number of drill-ready prospects within the permit area, which have been ascribed Prospective Resources as follows:

Exhibit 4: The location within an infrastructure hub supports small resource prospectivity economics

Prospect/Lead		Low	Best	High
Wellesley	Gas (Bcf)	22.1	41.0	76.0
Major East	Gas (Bcf)	7.0	13.8	26.5
Emu Apple	Oil (Mb)	1.8	3.4	6.8
Bendee	Oil (Mb)	0.5	1.0	6.8

Source: Company data

Exhibit 5: The Wellesley Prospect is well defined by seismic



Source: Company data, estimated revised location of W-2 well

What could a success case at Wellesley look like?

Wellesley is an exploration play and although recent evaluation studies underpin a relatively high degree of confidence in the opportunity, drilling is the highest-risk operation a company can undertake. Notwithstanding the inherent risks, exploration remains the cheapest way of creating substantial (transformative) value – certainly in the initial phases of work.

We estimate a potential success-case value range of $20–100mn with a 'best estimate' point between $35-40mn.

To establish this value range, we apply a simple algorithm based on:

- An average gas price assumption of $8/gj ex-plant over the project life. This is not unreasonable, we suggest, given the projections by market regulators and industry bodies of a current (and persisting) gas supply squeeze; and spot prices in the Brisbane market;
- A raw gas specification close to sales gas (ie negligible CO_2 and liquids);
- Low development capital (a well completion and 'poly-pipe' gas connection);
- Contract processing through the existing under-utilised infrastructure network;
- The low-high range of Prospective Resources of 22-76Bcf;
- A company estimate of 38% POS for the well; and
- A nominal (and subjective) range of NPV (cash operating) margins of 30-50%. We assign relatively high NPV margins based on the gas specification assumptions and likely, absolutely low capital and operating costs.

Note our assumptions are subjective and the ascribed NPV is critically sensitive to the pre-drill POS.

We highlight that no company has ever found a 'risked' Bcf of gas, so the practical outcome is binary – **Wellesley-2 will either be commercially successful or it will not**.

Returning To The Wombat Hole (PRL 2, LKO 100%)

As indicated previously, Lakes aims to drill the Wombat-5 gas well in 2022 subject to the availability of funds.

In our December 2019 Scoping Report we highlighted the uncertainty associated with the Wombat/Trifon plays (and other Victorian assets) related to the Victorian State Government onshore exploration moratorium. With the expiry of the moratorium from 30-Jun-2021 there is now *"… a basis for resumption of exploration activity within the state".*

With the ongoing administrative and planning requirements (consultation and approvals processes), Lakes estimates it could *"… return to on-ground exploration activity by around mid-2022".*

Despite the lack of exploration activity over the Wombat discovery since 2013, the play remains a high priority for Lakes. The project contains a large gas Contingent Resource (719Bcf at 2C) with the Wombat and Trifon fields representing transformational development opportunities, either as stand-alone projects or in aggregate.

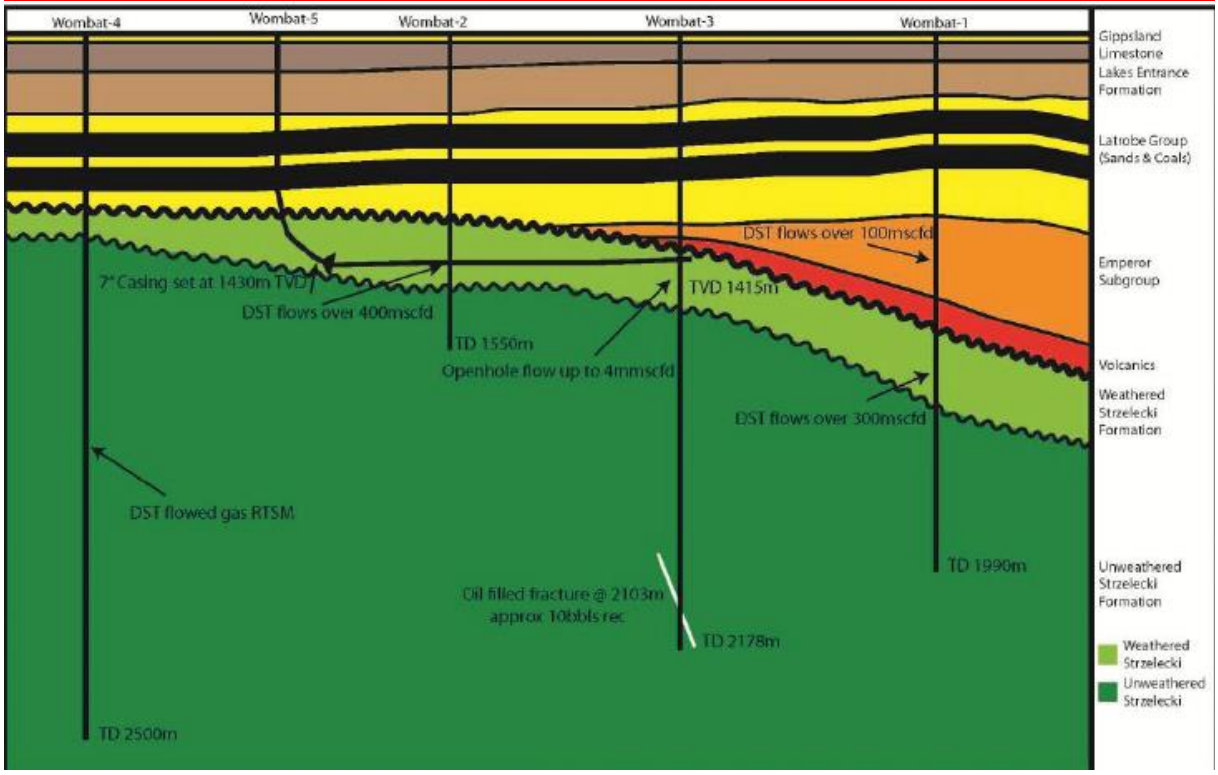
Exhibit 6: Contingent [C] and Prospective [P] Resources – a significant gas play sits here

					Bcf			POS
					Low	Mid	High	
PRL 2	100%	Wombat Field	Gas	C	258	329	628	50%
	57.5%	Trifon Field	Gas	C	126	390	526	25%
	100%	Barragwanath	Gas	U	187	966	4,327	10%

Source: Company data

The Wombat Gas Field has been defined by four wells, flowing 3TJd from the Wombat-3 well, prior to mechanical failure of the well-reservoir interface.

Exhibit 7: Proposed Wombat-5 horizontal well … the aim is simple - to open more formation to the well bore without fracking



Source: Company data

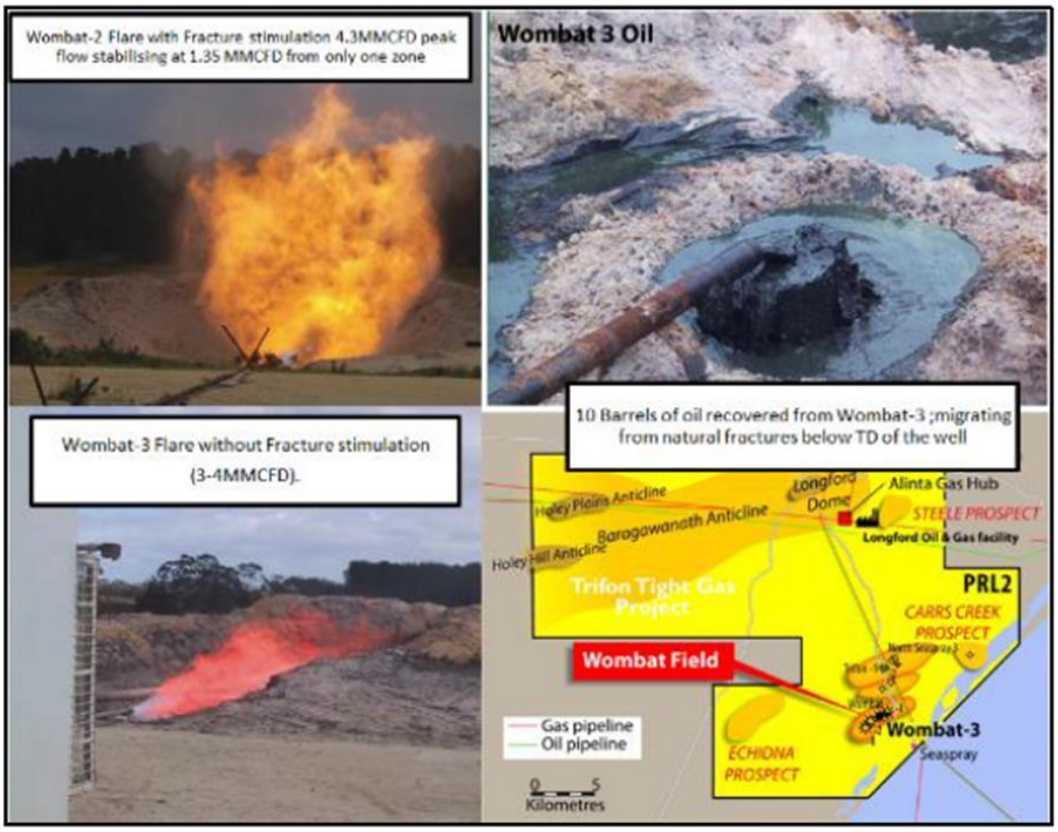
Reiterating our Scoping Report commentary, *"… (t)he Wombat and Trifon fields are located in the tight sands of the Strzelecki Group and whilst the discoveries are structurally controlled on seismically defined highs, the Strzelecki Group is not a highly variable reservoir. Within the Wombat Field, gas has been intersected throughout the formation with some zones representing sweet spots with more favourable reservoir characteristics".*

Lakes is looking to drill the Wombat-5 conventional lateral well (refer **Exh. 7**), with the specific aim to prove commercial flows can be achieved without requiring stimulation (fracking). The well is being designed as a 1,500m open-hole horizontal completion.

Company analysis suggests gas flow rates in the success case could be strong and perhaps deliver in the order of 5-6mmcfd, although this can only be demonstrated on drilling. Historical results do lend a certain degree of confidence in the modelled guidance as per below:

Exhibit 8: Well results from Wombat drilling underpin a relatively high level of confidence

	Associated liquids	Peak flow (mmcfd)	Stabilised flow (mmcfd)	No. of gas zones identified	No. of gas zones tested
Wombat-1	Condensate	2.0		>9	3
Wombat-2	Condensate	4.3	1.35	>8	1
Wombat 3	Oil	~4.0		>8	2
Wombat-4		RTSTM*	RTSTM*	**>8**	**3**



Source: Company data * RTSTM = rate too small to measure

Company guidance, based on independent modelling of reservoir data from the four Wombat wells, suggests:

- A well cost in the order of $4-5mn;
- Initial gas flows could be up to 15mmcfd with a P50 case of ~10mmcfd; and
- Production life in excess of 20 years with rates above 1mmcfd in Year-20, indicating low decline wells.

It's worth revisiting a Wombat development scenario

We would note that whilst historical data is encouraging, there is inherent risk in any drilling operation, particularly long-reach, open-hole horizontal sections from engineering and geological perspectives.

Whilst the Strzelecki Group (primary target) is not considered to be a highly-variable reservoir in geological terms, there does not have to be significant variation in porosity and permeability to influence testing outcomes (to the upside and downside). Natural variations in mineralogy and localised (small-scale) structuring can also materially affect drilling rates and well completions.

Success at Wombat-5 would likely see the drilling design applied to the adjacent Trifon-Gangell Gas Fields (LKO 57.5%). The holistic plan would be to commence production initially from Wombat with Trifon-Gangell considered to be extension gas, to be developed as initial production rates fall away.

In broad terms, a success-case Wombat development should be able to be readily commercialised based on initial company analysis and guidance, including:

- Simple gas processing and compression facilities, and connection to the transmission grid (to the east of the Wombat field), at a likely cost in the order of $50mn (unaudited and unverified);
- Construction time of around 18 months;
- Up to 12 additional gas wells (expected to be drilled from three well pads, minimising the development footprint) likely required over the life of the project;
- A production scenario peaking and plateauing at 20PJpa (100% basis) for ~seven years before declining with a relatively long tail;
- Predominantly fixed cash operating costs of $3/gj;
- There is a net 10% overriding royalty payable on the company's share of petroleum production (well-head value) from PRL 2; and

A unit **NPV margin** of around 20-25% (or ~$2.00/gj) inclusive of an allowance for capital costs. This accords favourably with the RaaS probabilistic estimate, although we'd suggest an average life of project gas price would likely be higher, with upside to an un-risked development project.

We ascribe a success-case value range estimate of $20–120mn with a 'best estimate' point c.$72mn.

We highlight that our ascribed value is overlain by a significant and discretionary RaaS risk weighting, which takes into account the uncertainties associated with the timing and financing of activity; and what we consider to be still significant risk of defining and developing gas projects in Victoria.

We model Lakes on the basis of a full equity subscription (pro-forma cash of ~$5.4mn), which should allow, at a minimum, a significant level of preliminary activity on pre-drilling requirements. Should the equity subscription only reach the minimum requirement (pro-forma cash of ~$3.6mn) then activity on Wombat would likely be significantly delayed.

Refer Appendix A.

The resource potential is transformative at 719Bcf (2C) aggregated within the Wombat and Trifon fields, but subject to the successful drilling of the Wombat-5 well.

A Speculative Case

Should Wombat-5 results confirm the testing outcomes as generated by company analysis, the 'unrisked' NAV attributable to the project could potentially be in the order of $400-450mn or around 1cps on the modelled capital base.

This represents the investment attraction, but also underscores the need for the company to get after this asset.

We caution that RaaS does not suggest that these outcomes can or will be delivered, but rather points to the indicative potential that could be generated from success across what is a large-volume gas opportunity.

Nangwarry Has Delivered … Not All CO_2 Is Bad

Onshore Otway Basin, SA (PRL 249, LKO 50%) – pursuing a commercial CO_2 option

Despite being in suspension, Lakes has successfully maintained its working interest in PRL 249 (previously PEL 155) and funded its share of expenditure for the drilling and testing of the Nangwarry discovery. The Nangwarry-1 well was drilled in Jan-2020, reaching a total depth of 4,300m, encountering a gas zone within the Pretty Hill Formation. However, gas composition analysis determined the discovery as containing around 90% CO_2.

On the basis of making a 'silk purse', the JV has successfully completed evaluation works supporting the commercial potential of a stand-alone CO_2 project.

The Nangwarry Carbon Dioxide Project is 50% owned and operated by Lakes in joint venture with Vintage Energy Ltd (ASX:VEN). Although sales agreements have not yet been negotiated, we suggest there should be a ready market within the medical, industrial and food industries, particularly as there is no local production and Australia is in short supply across eastern states. The only previous domestic, commercial production from the Caroline-1 Project has long since ceased.

Production testing of Nangwarry was successfully completed over Mar-Apr 2021 delivering results well above expectation and more than sufficient to support the proposed development concept. The well is highly productive, delivering a steady-state flow rate of ~10.8mmcfd and a 'peak' flow rate of 22mmcfd.

Importantly, the well head pressure remained high through the testing process and the column height of gas is thought to be >120m confirming a **large gas volume and strong reservoir permeability**.

Based on the testing results, the JV has announced independently estimated, best-case recoverable volumes of ~25.9Bcf (12.9Bcf net to Lakes). In broad terms, this would equate to a CO_2 resource of c.1.35Mt *(RaaS estimate).*

Exhibit 9: Gross CO_2 volumes of 26Bcf (gross) can support a commercial development

CO_2 gross/net sales gas estimate (Bcf)			Gross/net natural gas (Bcf)		
Low	Best	High	1C	2C	3C
9.0 / 4.5	25.9 / 12.9	64.4 / 32.2	0.5 / 0.3	1.6 / 0.8	4.1 / 2.0

Source: Company data

Note the small Contingent Resource volumes of natural gas (1.6Bcf gross), which may be able to be used for the power generation requirements of the plant with the potential to generate operating cost benefits.

The JV has signed a Memorandum of Understanding (MOU) with Supagas Pty Ltd, the fourth-largest global supplier in the industrial CO_2 markets, to complete a preliminary design and costing of processing facilities. As part of the terms of the MOU, Supagas retains a first option to develop or purchase gas from the Nangwarry project.

We understand initial scoping studies support a development concept for a plant of c.150tpd capacity at a gross cost of ~$28mn. Production volumes would be supported by sustainable flow rates of around 3mmcfd (raw gas delivery is unlikely to be an operational constraint) and estimated reserves equate to 25-30 years of project life *(RaaS estimate).* Indicatively, field operating costs should be considered as equivalent to normal industry natural gas costs.

The project should nominally be relatively simple and that would mean quick to build and with low risk - one well (completed) with a small-diameter/short pipeline to a modular processing plant and load-out facilities. We expect the product to be trucked.

A new industry does come with higher risks, particularly with respect to securing sales agreements. We see the project as likely to be market dependent, not capacity constrained, and to that end the JV is somewhat dependent on Supagas, in our view, for volume and pricing.

Through a number of discussions with the JV partners over the course of the past 12 months we suggest there has been a relatively consistent high confidence level around these parameters for quite some time. **What remains to be locked in are the commercial requirements, capex and pricing**.

Assigning a 'risked' value to Nangwarry

With testing confirming the productivity of the Nangwarry well and scoping studies outlining indicative plant capacity and capex, we can ascribe a 'working value' to a potential development.

We caution that our estimated value range will be somewhat broad given, specifically, that CO_2 pricing is 'opaque' - details are generally contract-specific and will likely need to be adjusted on look-through quarterly results or company guidance when the project is sanctioned.

We run a simple Nangwarry scenario assuming:

- $300/t CO_2 as a base case and assuming the JV will be selling product on an ex-plant basis rather than raw gas at the plant inlet;
- c.$30mn (gross) plant capex, owned by the JV; and
- Broad guidance has first production in FY23 for the sake of this analysis.

We estimate a net risked value range of $10-30mn with a mid-point estimate of $20mn at a RaaS risk weighting (probability) of 50% and subject to further project definition in terms of timing and capital costs.

The operational end of the project looks set with the commercial aspects to be finalised – financing and contracts. Initial scoping parameters suggest a long-life operation could generate around $6mn pa of net operating returns as an indicative benchmark.

These estimates are rounded and we note that that this weighting should unwind significantly post a FID and refining of the final project parameters.

We highlight that our valuation range is subject to potentially significant change as the project definition progresses. We suggest the JV has a number of development and financing options including but not limited to:

- Selling gas at the well head or plant entry point with unit gas prices set on a product netback basis;
- Control the processing on a plant build-own-operate basis (BOO) and sell CO_2 on an ex-plant basis; or
- Negotiate a third-party BOO of the plant, negotiate a contract processing fee and sell CO_2 on an ex-plant basis.

It's Worthwhile Revisiting The Current Risk Environment

Normally the most critical factor in determining and delivering any resources project is the prevailing commodity price, however, the operating environment has shifted with the commercial environment now somewhat clouded by strengthening sentiment towards renewable energy sources and away from traditional gas and oil sources.

We continue to see a role for gas and oil, especially gas as, at a minimum, a transition fuel. Although investment and environmental sentiment supports an accelerated push towards renewable energy sources, the COVID (and likely post-COVID) operating environment makes accelerated roll-out and take up problematic on supply chain, infrastructure limitations and material cost issues. At least through a reasonable investment window (5-10 years) we are confident the commercial and economic parameters will remain strongly supportive of new gas developments.

Rather than a comprehensive assessment of all operating risks, we briefly highlight a few key areas that we consider the most critical for the company and investors over the next 12-24 months.

Gas prices and renewables – there is competition

The east-coast gas thematic continues to be strongly supportive of commercial outcomes. AEMO data for 2021 showed no drop off in demand related to either COVID economic impacts or sustained higher gas prices. In fact, gas consumption (ex-WA) was ~3% higher on a year-on-basis, most likely from stronger export volumes, but higher nonetheless.

On a post-COVID basis, should domestic consumption return to pre-pandemic levels, whilst export gas prices continue to pull more tonnages and divert more volumes, further demand growth is not an unrealistic assumption, and this likely makes the AEMO/ACCC projections of an east-coast (particularly Victorian) gas supply squeeze in H2'23 seem a little optimistic.

Even on a seasonal basis, Sydney spot pricing from 1-Nov-2021 remains high with prices to date averaging nearly $11.50/gj. Gas for domestic purposes is becoming harder to source and supply projections may contain a high degree of error.

Our view is that the underlying tightness of the supply market is higher than alluded to in the ACCC analyses and the only tangible way of providing downward pricing pressure in east-coast markets is to increase supply in scale, which entails the exploitation of new gas provinces (Galilee Basin, Narrabri, Beetaloo Basin) or a significant increase in exploration expenditure targeting new gas opportunities.

Increasingly, LNG import terminals are becoming accepted as a necessary mechanism and part of the gas supply model, but that in and of itself will/can add a significant new pricing dynamic into east-coast gas pricing – import pricing rather than export netback could set the wholesale price for gas supply at the margin.

Addressing the longer-term concerns in the east-coast gas markets requires attention at all points in the supply chain. The ACCC has long advocated the need for an increase in supply and diversity of suppliers, particularly in the southern states.

We note the location of the company's assets through the eastern/south-eastern areas, within established and extensive infrastructure networks where capital costs can be kept relatively low and production lead times can be short. All it requires is some drilling success.

We would not be surprised to see more supply issues emerge beyond 2022 with stronger pricing pressures on higher oil prices lifting LNG netbacks (in the short-term) and gas imports in the longer-term.

We are, though, on the road to transition with massive momentum pushing for the accelerated development of renewable energy, through wind and solar power generation and for hydrogen to become the transport fuel of choice.

Renewable energy is inevitable, however, as much as sentiment may want it to, it can't happen quickly or cheaply. It needs to be acknowledged, though, that persistently high gas prices open the paths for alternate energy sources.

We note an article in The Australian Financial Review (14-Jan-2021) citing a Wood Mackenzie report warning that 2022 will represent:

"…'another bumpy year ahead' for global gas amid political ructions over soaring energy prices in Europe, investor pressures around investment in new supply and intense questioning of the fuel's role in the decarbonising world.

"Wood Mackenzie said a cold Northern Hemisphere winter would make things a lot worse, pushing storage inventories to zero before the end of March. At the same time, an escalation of tensions between Russia and Ukraine could stop the commissioning of the key Nord Stream 2 pipeline brining in Russian exports.

"Those two factors could see prices doubling again in Europe."

Anecdotally, the rush to renewables reminds of us somewhat of the 'rush to tech' around 2000, where on the back of plummeting oil prices, companies reinvented themselves as technology plays or acquired assets to promote their 'new economy' credentials to the investment community.

In a similar fashion, energy companies are 'greening' but not all solar, wind or hydrogen proposals are realistically viable, not all gas is suitable for the generation of hydrogen, and the sun doesn't always shine or the wind blow, where and when you need it to.

Other hurdles include:

- Wind and solar farms have massive real footprints so are realistically going to be placed in remote locations also requiring significant new transmission infrastructure;
- Battery back-up has practical limitations;
- There are very few merchant facilities for hydrogen or recharging;
- Metals and other materials costs are rising, so capital costs are rising, and
- There is a significant environmental issue on abandonment that rarely gets considered.

Within these parameters we can see a continuing role for gas as a key input to chemicals manufacture (especially fertiliser), an input to hydrogen manufacture, and as a power generation transition and back-up fuel.

Geology

Portfolios dominated by exploration plays come with high inherent risks, even allowing for adjacent discoveries and developments. Whilst the target zones and parameters of any prospect can be outlined with confidence, pre-drill analysis is a probabilistic exercise and drilling even within an existing field cannot be predicted with certainty – geology just doesn't work that way.

There are also higher risks associated with chasing new plays, where the scope of the play is such that it's unlikely to be defined by one well or perhaps even five or six wells. Optimal development design, assuming success at say, Wombat, may take some time to be finalised.

It should be noted that geology can surprise on the upside – reservoir parameters and flow results can exceed expectations with positive implications for reserves and capital costs but all of this needs to be determined through exploration and appraisal success.

Financing

Financing issues will always overhang small resources companies with no supporting revenue streams, which ultimately leaves the company with recourse mostly to equity markets for working capital, particularly in an exploration phase. This can also be exacerbated when there are multiple exploration programmes and assets to be worked.

Being in suspension has precluded the company from accessing equity capital until such time as certain ASX requirements are met. Consequently, the company, over the period from December 2020 to May 2021, sourced approximately $4.05mn of funds through issue of Convertible Notes as an interim financing option with an associated entitlement to Royalty Units.

The Convertible Notes come with quite high interest commitments (15% applied in arrears and semi-annually), which if paid rather than covered by the issue of further Notes, could restrict the capacity of the company to effectively work its asset base.

As outlined in the Prospectus, Lakes has an existing Convertible Note base totalling 10,921,382,230 notes as issued, at a price of $0.009, convertible on a 1:1 basis at the holders' discretion. The Notes effectively represent an equity overhang of ~26% to the issued capital base on exercise assuming the maximum subscription is attained.

Acreage assets also come with work and expenditure permit commitments, and given the extensive asset holdings of the company, these commitments can be onerous.

The capacity to continue leveraging the equity markets is somewhat limited we suggest, although 'one' success can change sentiment significantly.

At this stage it's difficult to get a strong read-through on the financing capacity of the company based on its capitalisation – the minimum quote for a company listed on the ASX is 0.1c and trading in increments of 0.05c – so small transactions can impact the capitalisation significantly. Over the 10 months prior to suspension the stock traded in a low-high range of 0.1-0.2c – capitalisation has moved through a 100% range.

We would also highlight the retail investor nature of the share register and at some point, the need to transition the register towards long-term, institutional investors with stronger financing capacity, particularly to support appraisal (and development outcomes?) assuming drilling success cases.

The company does have high equity interests which afford financing options through farm-outs – dependent on success outcomes.

We would also add that success can open debt markets as a financing source to fund any requisite production infrastructure, but highlight that as a consequence of the increased focus on carbon-neutral business operations, debt financing may come with additional requirements on offset projects and/or higher costs with lower absolute facilities.

The banking industry is navigating its own path forward with respect to how it manages lending into resource projects, particularly oil and gas developments, and terms may change over the course of facility tenures.

Board and Management

There have been no changes to the current Board of Directors (refer to our Scoping Report **LKO RaaS Scoping Report 19 December 2019** for commentary and views). Lakes Blue Energy has a three-person board consisting of:

- Richard Ash (Chairman)
  As at the Prospectus date, the Chairman holds 322,200,242 fully-paid shares representing 0.9% of the register and receives $33,333 in director's fees.
- Roland Sleeman (Managing Director and Chief Executive Officer)
  As at the Prospectus date, the CEO holds 202,144,952 fully-paid shares and 822,295,477 Convertible Notes representing 0.6% of the register and receives $33,333 in director's fees, with $320/hr for CEO services.
- Nick Mather (Non-Executive Director)
  As at the Prospectus date, the director holds 161,750,720 fully-paid shares and 566,500,000 Convertible Notes representing 0.5% of the register and receives $33,333 in director's fees.

The Board will continue to be complemented by Tim O'Brien as Chief Operating Officer (COO).

Appendix A – The Offer

The company is offering to issue up to 5,428,512,971 new shares to investors at an offer price of $0.0008 per new share to raise up to $4,342,810.

Exhibit 10: Offer details – we assume the full subscription case in our modelling

The Offer	Minimum Subscription	Full Subscription
Offer Price	$0.0008 per Share	
Number of New Shares offered	3,005,000,000	5,428,512,971
Gross proceeds from Offer	$2,404,000	$4,342,810
Total number of Shares on issue at Completion of the Offer	39,958,908,960	42,382,421,931
Convertible Notes on issue at Completion of the Offer	10,921,382,231	10,921,382,231
Market capitalisation at the Offer Price[1]	$31,967,127	$33,905,938
Pro forma net cash (as at 30 June 2021])[2]	$3,615,000	$5,424,000

The company will apply for the new shares to be quoted on the ASX subject to the reinstatement of its shares to official quotation.

Opening Date	14 January 2022
Closing Date of Offer as at 5.00pm	24 January 2022
Announcement of the results of the Offer	26 January 2022
Issue Date and Allotment Date of new Shares under the Offer	28 January 2022
Despatch of holding statements in relation to all new Shares issued under the Offer	31 January 2022
Confirmation of reinstatement to official quotation by ASX	31 January 2022
Quotation of Shares issued under the Offer	1 February 2022

We cite commentary from the Prospectus:

Use of Funds - Subscription	Minimum	Full
Working capital*	1,545,000	1,517,000
Drilling of Wellesely-2 Gas Well	1,600,000	1,600,000
Costs of Capital Raising#	405,000	534,000
Wellesley gas production flowline or resumption of Victorian exploration^	-	1,837,810
Total	3,550,000	5,488,810

The primary purpose of the Offer is to raise funds for drilling of the Wellesley-2 well in Queensland and to prepare for recommencement of exploration activity in Victoria. Making of the Offer also satisfies an ASX precondition for resumption of trading of the Company's Shares.

Funds raised above the Minimum Subscription will be utilised to reduce or avoid need for sourcing of either debt or equity funds for installation of facilities for production and sale of Wellesley gas. Alternatively, should the Wellesley well not be successful, such funds will be applied toward meeting the cost of exploration activity in Victoria. Costs associated with securing approvals for drilling of the Wombat-5 and Otway-1 wells in Victoria are included in the working capital provision under Minimum Subscription.

Source: Company data

Appendix B – Asset Locations

Lakes has a diversified set of exploration assets lying across the risk spectrum, with the potential to provide a mix of short-term and long-term opportunities. The company's primary work focus is on its south-eastern gas assets where, subject to changes in Victorian legislation and financing, a number of wells could be drilled for exploration and evaluation.

Ascribing value to early-stage exploration assets is problematic and dependent on subjective assumptions and risk assessments. Most of the company's asset base is defined by Prospective Resources and GIIP/OIIP (In-Place) estimates - the highest level of uncertainty through the evaluation process.

Exhibit 11: A geographically diverse portfolio

Source: Company data

RaaS
Research as a Service

Exhibit 12: Financial Summary

LAKES BLUE ENERGY NL		LKO
YEAR END		June
NAV	A$mn	$213
SHARE PRICE	Acps	0.1
MARKET CAP	A$mn	42
ORDINARY SHARES	M	42,382
OPTIONS	M	0
CONVERTIBLE NOTES	M	10,921

In suspension
Proforma

nm = not meaningful
na = not applicable

* FY21 numbers are 'unaudited' at the time of writing

COMMODITY ASSUMPTIONS		FY20A	FY21A*	FY22E	FY23E
Realised oil price	US$/b				
Realised gas price	US$/mcf				
Exchange Rate	A$:US$				

RATIO ANALYSIS		FY20A	FY21A*	FY22E	FY23E
Shares Outstanding	M	33,669	35,521	42,382	47,382
EPS (pre sig items)	Acps	(0.02)	(0.12)	(0.08)	(0.07)
EPS (post sig items)	Acps				
PER (pre sig items)	x	na	na	na	na
OCFPS	Acps	(0.03)	(0.06)	(0.04)	(0.03)
CFR	x	na	na	na	na
DPS	Acps				
Dividend Yield	%				
BVPS	Acps	0.5	0.4	0.4	0.3
Price/Book	x	20.6x	27.2x	28.3x	0.0x
ROE	%	-4%	-32%	-21%	-22%
ROA	%	-3%	-17%	-11%	-11%
(Trailing) Debt/Cash	x				
Interest Cover	x				
Gross Profit/share	Acps				
EBITDAX	A$M	(0.6)	(4.2)	(3.2)	(3.5)
EBITDAX Ratio	%				

EARNINGS	A$000s	FY20A	FY21A*	FY22E	FY23E
Revenue		0	0	0	0
Cost of sales		0	0	0	0
Gross Profit		**0**	**0**	**0**	**0**
Other revenue					
Other income		1,728	186	0	0
Exploration written off		0	(172)	(200)	(400)
Finance costs		(571)	(1,435)	(1,474)	(1,693)
Impairment					
Other expenses		(2,353)	(4,391)	(3,218)	(3,535)
EBIT		(625)	(4,205)	(3,218)	(3,535)
Profit before tax		**(625)**	**(4,205)**	**(3,218)**	**(3,535)**
Taxes		0	0	0	0
NPAT Reported		**(625)**	**(4,205)**	**(3,218)**	**(3,535)**
Underlying Adjustments					
NPAT Underlying					

CASHFLOW	A$000s	FY20A	FY21A*	FY22E	FY23E
Operational Cash Flow		**(924)**	**(2,278)**	**(1,813)**	**(1,595)**
Net Interest		13	4	11	13
Taxes Paid					
Other					
Net Operating Cashflow		**(911)**	**(2,274)**	**(1,802)**	**(1,582)**
Exploration		(6,332)	(1,201)	(2,000)	(4,000)
PP&E		0	0	0	0
Petroleum Assets		0	0	0	0
Net Asset Sales/other		0	(139)	0	0
Net Investing Cashflow		**(5,936)**	**(1,040)**	**(2,000)**	**(4,000)**
Dividends Paid					
Net Debt Drawdown		0	0	0	0
Equity Issues/(Buyback)		0	0	5,084	4,631
Other					
Net Financing Cashflow		**5,009**	**3,152**	**5,084**	**4,631**
Net Change in Cash		**(1,838)**	**(162)**	**1,282**	**(951)**

BALANCE SHEET	A$000s	FY20A	FY21A*	FY22E	FY23E
Cash & Equivalents		631	470	1,753	802
PP&E & Development		693	688	688	688
Exploration		23,009	22,780	24,580	28,180
Total Assets		**24,833**	**24,633**	**28,048**	**31,199**
Debt		0	842	841	841
Total Liabilities		**8,465**	**11,573**	**13,070**	**14,756**
Total Net Assets/Equity		**16,368**	**13,060**	**14,978**	**16,443**
Net Cash/(Debt)		631	(372)	912	(39)
Gearing dn/(dn+e)		-4%	3%	-6%	0%

PRODUCTION		FY20A	FY21A*	FY22E	FY23E
Crude Oil	kboe				
Nat Gas	mmcf				
TOTAL	**kboe**				
Sales Volumes	**kboe**				
Product Revenue	A$mn				
Cash Costs	A$mn				
Ave Price Realised	A$/boe				
Cash Costs	A$/boe				
Cash Margin					

RESOURCES	Net to LKO		Contingent 2C	Prospective 2U	(G/O)IIP Best
Gippsland Basin - VIC					
Wombat Field	PRL 2	Gas (Bcf)	329		
Trifon Field	PRL 2	Gas (Bcf)	390		
Barragwanath	PRL 2	Gas (Bcf)		701	
Lakes Entrance	PRL 2	Oil (Mb)		0.6	
	PEP 166	Gas (Bcf)			1,704
Otway Basin – VIC					
	PEP 167	Gas (Bcf)			0
Otway-1	PEP 169	Gas (Bcf)		60	
Focus Area	PEP 175	Gas (Bcf)		11,469	40,999
Otway Basin – SA					
Benara	PEP 154	Gas (Bcf)		25	
Benara East	PEP 154	Gas (Bcf)		15	
Nangwarry	PRL 249	CO_2 (Bcf)		13	
Surat Basin – QLD					
Wellesley	ATP 1183	Gas (Bcf)		41	
Bendee	ATP 1183	Oil (Mb)			1.0
Major East	ATP 1183	Gas (Bcf)		14	
Emu Apple	ATP 1183	Oil (Mb)			3.4
Eromanga Basin – QLD					
	ATP 642	Oil (Mb)			0.05
	ATP 662	Oil (Mb)			0.5
Cape Vogel Basin – PNG					
Buna	PPL 560	Gas (Bcf)		3,316	
Buna West	PPL 560	Gas (Bcf)		208	
Kumasi North	PPL 560	Gas (Bcf)		274	
Kumasi South	PPL 560	Gas (Bcf)		193	
North New Guinea Basin – PNG					
Matapau	PPL 549	Oil (Mb)			4.4

EQUITY VALUATION		Interest	Pr	A$mn	
Wombat/Trifon		Various		112	
Other Gippsland		100%		6	
PEP 169	inc Otway-1	49%		3	
PEP 175	inc 'Focus Area'	100%		11	
Other Otway (VIC)		Various		0	
PRL 249	inc Nangwarry	50%		20	
PEP 154		100%		2	
ATP 1183		100%		49	
Other Queensland		100%		2	
PNG		100%		8	
				213	
Net Cash/(debt)				2	
Corporate costs				(2)	**P/NAV**
TOTAL				**213**	0.00
Ordinary Fully Paid Shares		42,382 M		**0.5**	**cps**
Fully diluted (inc Convertible Notes)		53,304 M		**0.4**	**cps**

Source: RaaS estimates (priced as of suspension date)

FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 6th May 2021

About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License ("AFSL") number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS's services and includes such things as

- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

Contact Details, BR and RaaS

BR Head Office: Suite 5GB, Level 5, 33 Queen Street, Brisbane, QLD, 4000

RaaS: 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
  - Securities
- deal on behalf of retail and wholesale clients in relation to
  - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS's representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR's internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren't satisfied with an outcome, you may contact AFCA, see below.

BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

DISCLAIMERS and DISCLOSURES

This report has been commissioned by Lakes Blue Energy NL and prepared and issued by RaaS Advisory Pty Ltd trading as Research as a Service. RaaS Advisory has been paid a fee to prepare this report. RaaS Advisory's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report. This research is issued in Australia by RaaS Advisory and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by RaaS Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than $50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise.

The science of climate change is common knowledge and its impacts may damage the global economy. Mitigating climate change may also disrupt the global economy. Investors need to make their own assessments and we disclaim any liability for the impact of either climate change or mitigating strategies on any investment we recommend.

Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Advisory does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Advisory shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable.