Research as a Service

Lakes Blue Energy NL

Company Update

Enterprise North upgraded and reset

Energy

1st November 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. After recapitalisation and relisting the company has returned to exploration with the high-graded Enterprise North prospect set for drilling in Q2 '23 and securing a partnering deal to commence activity in PNG. In the short-term, the success case at Enterprise North has the capacity to materially change the structure and value base of the company. A material gas discovery could be monetised relatively rapidly through a low capital cost development option or asset transaction, we suggest. We see a strong continuing role for gas in the energy transition and highlight the increasingly 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 over the next 12 months.

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. The company holds a portfolio of exploration assets and a pre-development, commercial discovery (industrial CO_2) at Nangwarry. Recent evaluation works have high-graded the Enterprise North Prospect in the Otway Basin, with the nearby Enterprise gas discovery pointing to the look-through potential as an analogue model. Approvals applications have been submitted for the drilling of Enterprise North in 2023. The success case could be material and commercialised quite rapidly.

Enterprise North set for drilling

The PEP 169 JV in the onshore Otway Basin (LKO 49%) has high-graded the Enterprise North Prospect based on 3D seismic and tie backs to analogue gas discoveries. The look-through analyses point to a high-quality and material gas opportunity, perhaps around 150PJ with a very high probability-of-success rating estimated at 72%. Historical success rates on exploration drilling in the region based on 3D seismic are >90%...Enterprise North ticks the boxes and is set for drilling in Q2 '23. Confidence levels should be high given the success at the Beach Energy well (Enterprise-1) only 3km distant, but as with all exploration, the proof will be in the drilling result. The success case could be transformational as the most valuable asset in the sector today is uncontracted gas with low capital and operating costs.

Valuation of $286m (0.6cps) at the mid-point

Valuing early-phase exploration assets is a subjective exercise, particularly when financing and the timing of work programmes are uncertain. Against an exploration portfolio, we assign values holistically, breaking out specific prospects and assets where sufficient detail is available…in this case expanding the value considerations over the Enterprise North Prospect. We value the prospect against risked transaction metrics at $54-162mn on success, which underpins a rise in the carrying value across the portfolio. We assign a base case (mid-point) valuation of $286m (0.6cps) to LKO, with an upside case to $468m (1.0cps). Against a reference share price (0.1cps) would suggest the market is appropriately weighting the asset base for the current operational and corporate risks but note **the success cases for Enterprise North 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	$0.001
Market capitalisation	$46M
Shares on issue	46,555M
Net cash at 30-Sep-2022	$2.49M
Free float	47.3%

Upside Case

- Drilling success at Enterprise North-1 crystallises a commercial outcome that may be well in excess of our current estimates.
- The success opens alternate financing options and restricts dilution
- Activity across the remainder of the portfolio, particularly an acceleration of works at Wombat could deliver a transformational production opportunity, perhaps within 24 months

Downside Case

- Enterprise North-1 is unsuccessful with impact across remainder of high risk exploration portfolio
- Delays in further portfolio drilling and progress on the Buna partnering deal with TotalEnergies SE (PA:TTEF).
- 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

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The Gas Chase Continues

For small companies, working the asset base remains the key to garnering and retaining the attention of investment markets…value potential can only be realised through drilling holes.

In our previous updates, we had previously confined our focus on LKO to the well-advanced gas plays at the Wellesley and Otway prospects and the Wombat and Nangwarry (industrial CO_2) gas discoveries as being the lower-risk opportunities in the portfolio.

However, there has been a re-ordering of priorities with material movement on PEP 169 (LKO 49%, Onshore Otway Basin) and PPL 560 [LKO 100%, Cape Vogel Basin (PNG)], which now stand at the front of the queue.

The company in JV with Armor Energy (ASX:AJQ) has completed an evaluation of its Enterprise North prospect post the success of the recent Enterprise gas discovery [Beach Energy (ASX:BPT)]. The prospect is mapped as being on trend and highly correlated with Enterprise and the Minerva gas field [Cooper Energy (ASX:COE)].

LKO is targeting a commencement date for the drilling of Enterprise North-1 in early Q2 '23 as potentially part of a two-well campaign with Otway-1. **We highlight the JV has assigned a probability of success of 72% to the prospect.**

Complementing these works, the company has secured a staged and conditional farmout agreement (Technical Collaboration Agreement) with TotalEnergiesSE (PA:TTEF) in PNG which has catalysed a return to field activity. This represents the first major works across the permit, aiming to better define the prospectivity and resource opportunities within the tenement.

TotalEnergies already has a significant footprint in the PNG LNG industry and brings arms-length validation to the geological model and the scale of gas potential, albeit at a very early evaluation stage.

With two projects in progress the period through to mid-2023 could deliver some significant value accretion results. The underlying nature of the gas markets is well known and understood by investing markets with the most obvious uncertainty being about how high gas prices will go before reverting to a long-term, sustainable level.

Persisting supply tightness is supporting higher gas prices with anecdotal evidence indicating that current contract negotiations for term gas are starting at $15+/gj and for as available supply at $20+/gj.

We suggest that success at Enterprise North-1 can be readily monetised with ullage available through existing, underutilised local gas plants (Athena and Otway) through at least 2025.

We have raised our valuation on the significant upgrading of the Enterprise North Prospect and higher reference commodity prices from the faster-than-expected evolution of markets and prices. Now is a good time to be exploring for gas and a success case would be material in impact.

We ascribe a risked valuation to LKO of $286mn (0.6cps) at the median-point of our range ($121-469mn; 0.3-1.0cps).

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 outcome on Enterprise North could support a material re-rating of the share price and perhaps value above our risked range.

Life Has Returned To Victorian Exploration

The moratorium on all exploration activity (particularly drilling) in Victoria has been lifted although fracking and coal seam gas activity remain permanently banned, and it's fair to say, the approvals process continues to be relatively onerous.

One of the conclusions of the **Victorian Gas Program** was that an *"…onshore conventional gas industry could potentially start production from 2023–24 if industry makes a gas discovery quickly, considers it commercially feasible to develop and secures the necessary regulatory approvals".*

The **Victorian Gas Program** was a three-year (2017-2020) suite of scientific research to better understand the potential for new onshore conventional gas discoveries and the risk, benefits and impacts of allowing exploration and production. It (*the Program*) found an onshore conventional gas industry would not compromise Victoria's environment or (our) vital agricultural sector.

Source: https://earthresources.vic.gov.au/projects/victorian-gas-program

The recent Enterprise gas field discovery by Beach Energy has underpinned a reinterpretation of the 3D seismic coverage through the PEP 169 permit and enhanced the assigned probability of success rating of the Enterprise North prospect. The Enterprise success provides an additional, high-quality calibration point allowing interpretations and analysis to be extrapolated along a regional trend from Minerva back through Enterprise and into Enterprise North.

Exhibit 1: The best place to look for gas is next to where it's already been found

Source: Company data

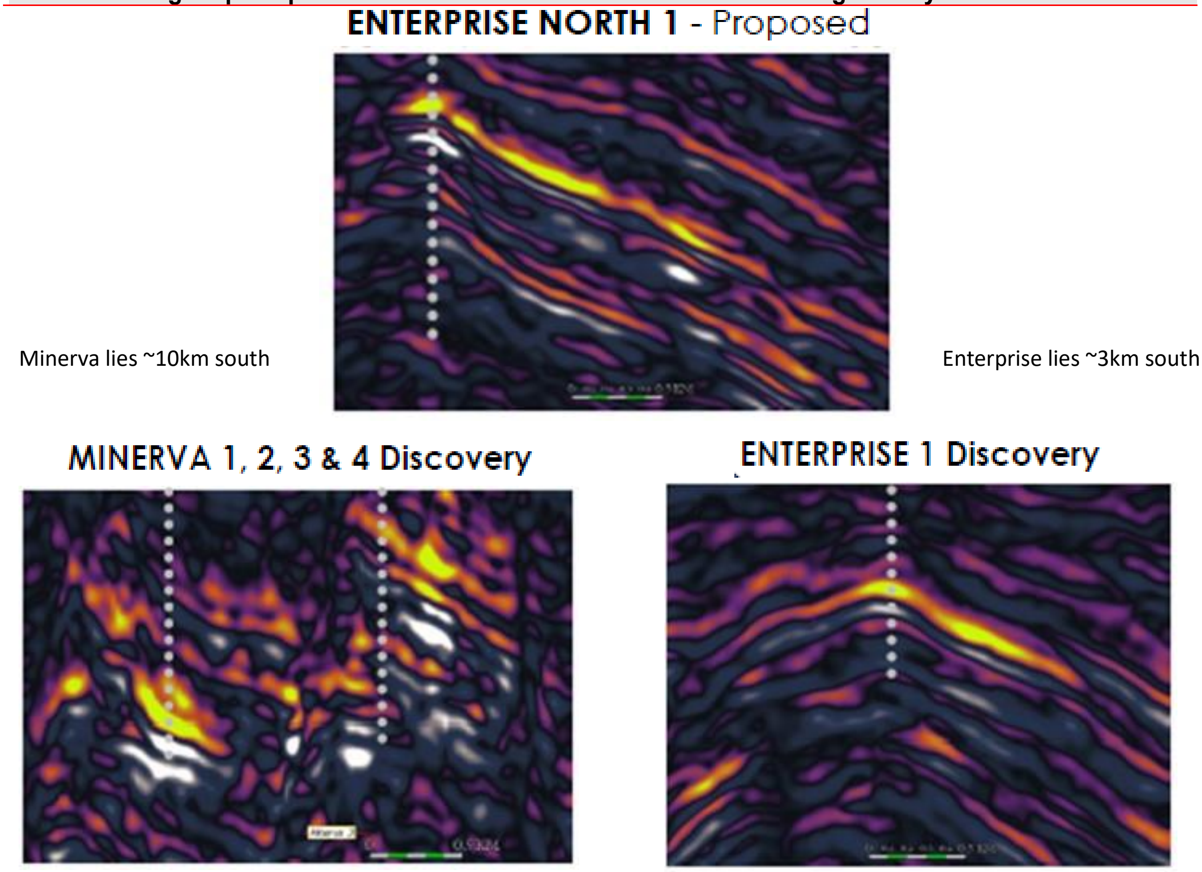
Enterprise North is considered to be a drill-ready prospect. The prospect is mapped as being on trend and highly correlated with Enterprise and the Minerva gas field.

Approvals applications are in train across the requisite environmental and regulatory considerations, native title consent and landholder access arrangements. Work is also progressing on sourcing long-lead items, contracting of the drilling rig and securing ancillary services.

The JV is targeting a spud date for the well in early Q2 '23.

Exhibit 2 demonstrates the strong and directly correlatable seismic amplitude features across the three data points (M-E-EN), which provides a high degree of technical, if not commercial, confidence on a pre-drill basis, particularly as the commercial success rate of prospects drilled on 3D seismic, displaying AVO anomalies, is >90% (and reported as 100% in Beach Energy-operated acreage).

Exhibit 2: 'Bright spots' provide the confidence and what works for one generally works for others



Source: Company data

The comparative data as outlined in **Exhibit 3** suggests that a success case at Enterprise North has the strong potential to be liquids rich and likely to potentially deliver recoverable reserves equivalent to Enterprise. Assuming recovery rates and CO_2 rates can be extrapolated from other discoveries, Enterprise North could contain around 150-250PJ.

The proximity of the Enterprise well should provide a high-quality interpretation and conversion to pre-drill estimates on reservoir thickness and properties, however, geology does not always co-operate in this respect so our estimates should be considered speculative.

The Waarre Sandstone is the primary target and we see reservoir risk as unlikely to be a major consideration in determining the commercial case.

The reservoir, on a regional basis, has demonstrated a high porosity-permeability relationship of 19-25% and 1-10darcies…so it has high storage capacity and strong production rate capability at pressure. Production rates in a success case are more likely to be infrastructure limited than reservoir constrained.

We note from a recent Armor Energy (ASX:AJQ) presentation, that at a modelled reservoir pressure of ~2,750psi, flow rates greater than 50mmcfd could be possible.

We caution that a success case at Enterprise North may not achieve these rates – porosity, permeability and total gas may be at the low end of the ranges.

Exhibit 3: Extrapolating into Enterprise North from analogues supports a high degree of confidence

	Enterprise North	Enterprise	Minerva	
Discovery date		Nov-2020	1993	
Reserves Gas LPG Condensate		 161 PJ 35 2kt 4 Mb	 330 PJ 331 kt 0.7 Mb	Liquids content at **Enterprise** was double the pre-drill estimate
Prospective	~440 PJ on ~419 Bcf GIIP* ~10 Mb of condensate	~300 Bcf GIIP		Estimated recovery rate of ~60% for **Minerva**
CO2 content	~10-20% for modelling purposes	10%	1.3%	
Main reservoir		Upper Waarre Sandstone	Waarre Sandstone	The Waarre Sandstone was intersected 89m high to prognosis at **Enterprise** 'Running high' is generally caused by a hydrocarbon effect
Vertical depth to target		2,052m		
Net thickness (m)	Est. 115m	115m (146m gross)	40-118m across the field	
First gas	The JV estimates flow rates could be as high as 60mmcfd**	est. mid-2023		
Flow data			Minerva-1 28.8mmcfd Minerva-3 50mmcfd	**Minerva** flow rates reported as 'facilities restricted'
Development cost		$51mn		
Field life		~12 years		Abandoned – end of life

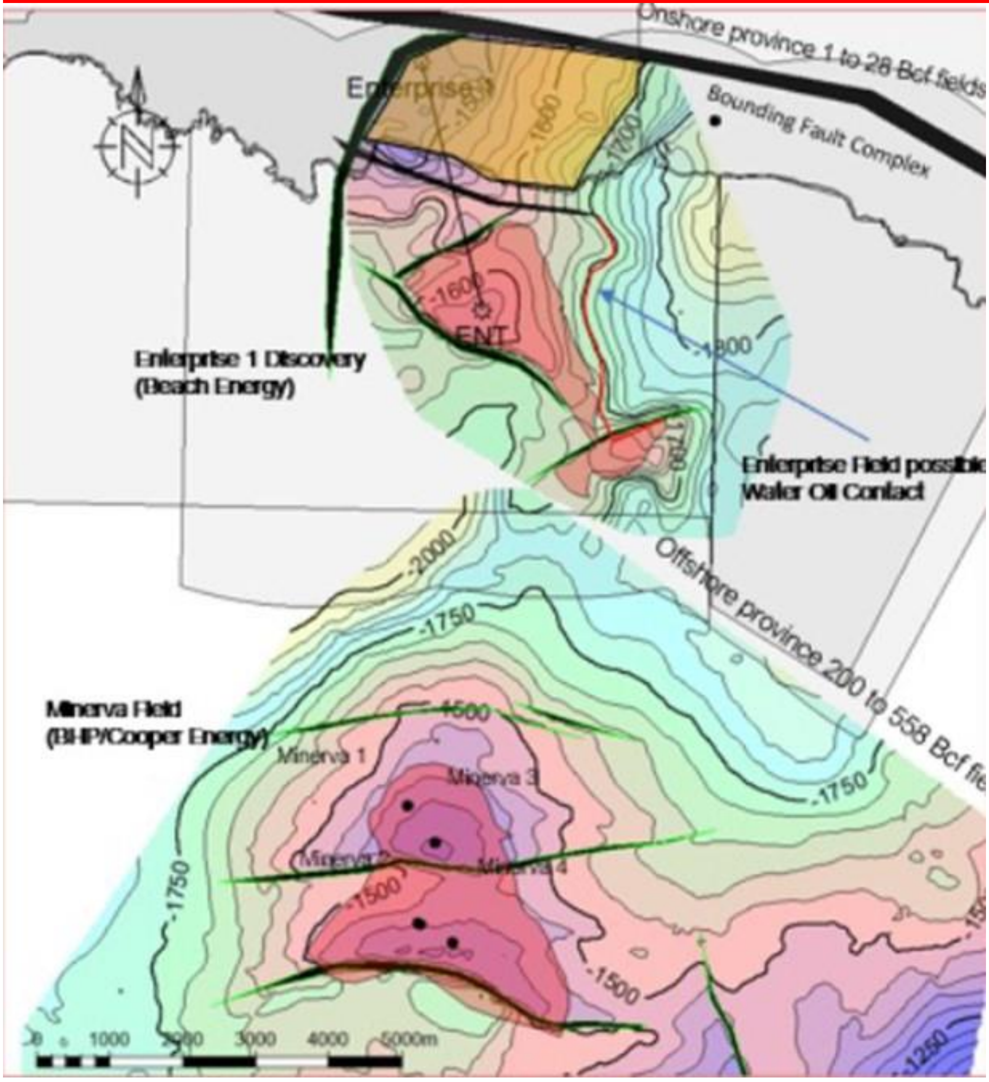
Source: Armour Energy presentation (28 Sep); * GIIP = Gas Initially In Place; ** We suggest 60mmcfd is an engineering extrapolation

The main regional, structural control is a bounding fault to the north of the Enterprise North prospect as mapped in **Exhibit 4**, which is typical of the Otway Basin. The basin is characterised by a series of major (broadly) NW-SE trending faults, formed during the rifting and separation of Australia and Antarctica, with the geological units getting deeper and thicker across faults heading to the south.

As highlighted in the presentation commentary, to the north of the bounding fault, gas discoveries are typically smaller, ranging from 1-28 Bcf (GIIP), whilst to the south into the offshore, field sizes are an order of magnitude larger, at 200-558 Bcf (GIIP).

As further indicated in the presentation, the Waarre Sandstone reservoir is significantly thicker offshore at the Minerva and Enterprise gas fields (up to 115m) and thins onshore towards Iona and adjacent gas fields north of the bounding fault complex (ranging 10-48m).

Exhibit 4: The Enterprise discovery provides a strong working analogue



Source: Armour Energy presentation (28-Sep)

So…what could an Enterprise North success case be worth?

Whilst the prospect is an exciting opportunity, it is still early-stage exploration with all the resultant risks associated with pre-drill analysis and modelling. The proof will be in the result and that remains a risk and by definition speculative until completed. However, the best place to look for gas is right next to where it has already been discovered.

We note two ways to consider the value potential - as a producing asset or an asset sale basis.

Given the number of assumptions that need to be made with respect to Enterprise North on a producing basis and the high degree of associated uncertainties, the cleanest and easiest method is to assign a transaction metric to a success case.

On many levels it seems more likely that a gas discovery at Enterprise North would be readily monetised is through an asset sale rather than the JV going through the potentially slower and more onerous project development route, particularly on a nominal full-field basis.

A success case should have significant attraction to both BPT and COE as low risk (would be proven by discovery and testing) expansion or extension gas readily, connectable into either the Otway or Athena gas plants along existing easements. Both companies could make low capex cases with high operating margins and potentially result in competition for the asset.

For either company the success case would need to deliver scale, but BPT has already shown at Enterprise that volumes around 150PJ get their attention. COE would probably have a lower reserves threshold and perhaps see stronger optionality in the gas on a shorter time frame and lower risk than the next phase of offshore drilling in its OP3D campaign.

Either way, we suggest those companies should be interested in what a success case could deliver…bankable, undeveloped, low-cost gas in proximity to their respective infrastructure networks.

The reference transaction pool is not deep and the most relevant deal, we suggest is the Beach Energy sale of 40% of its Otway interests to OG Energy in 2018.

Exhibit 5: A benchmark data point sets the base case

Transaction	Announced/ Completed	A$mn	Metric 2P		Comments
Beach Energy sale Otway interest to OG Energy	5/10/2018	**$344.0**	$11.50 $2.01	per boe per gje	In production with infrastructure . At the time of the deal gas prices were perhaps around the $7-8/gj, so the deal was NPV based with upside from near-field appraisal and development Looked 'fully priced' at the time

Source: Company data

Effectively, BPT was selling proven, developed reserves with expansion potential requiring a significant capital investment in drilling and infrastructure (plant) expansion. The transaction price likely reflected the cum-expansion nature of the asset.

At the time of the deal, markets were modelling long-term contract gas prices in the order of $8/gj, with the transaction metric of ~$2/gj representing a unit NPV ratio of 25% of the long-run commodity price.

Ostensibly, this seems like 'unders' for proven-producing reserves but given the future capital commitments and timing to full gas expansion (the Otway plant is not expected to be full until sometime in 2025), that probably represented a full price at the time.

We can make a similar case for the same NPV ratio on the Enterprise North success case adjusting for what would be undeveloped reserves, with low(ish) risk expansion upside and low capex to first gas – we think a base-case reference ratio of 25-30% seems reasonable.

Naturally, our expectations of long-run gas prices have materially increased in the last four years. Although we understand the price openers suggested for supply negotiations at present are $15-20/gj, that seems like a short-term, spot weighted estimate and perhaps represents a gas peak(?).

We assume a long-run price of $12/gj on a base case with any transaction likely to come with trailers related to price, reserves and/or future production levels.

We can't see either BPT or COE paying a premium and with control of the local infrastructure network, could consider LKO/AJQ as price takers in any negotiation.

We assign a discretionary risk weighting overlay equivalent to the JV-assigned probability of success rating of 72% and look through from analogue gas discoveries. There is a high rate of commercial success in the basin based on 3D seismic.

On a cautionary note, no company has ever found a risked barrel or PJ of gas, so in absolute terms, the well outcome will be binary – it will be a success or it won't.

We calculate a value on a simple equation:

Gas price * NPV ratio * reserves * net interest

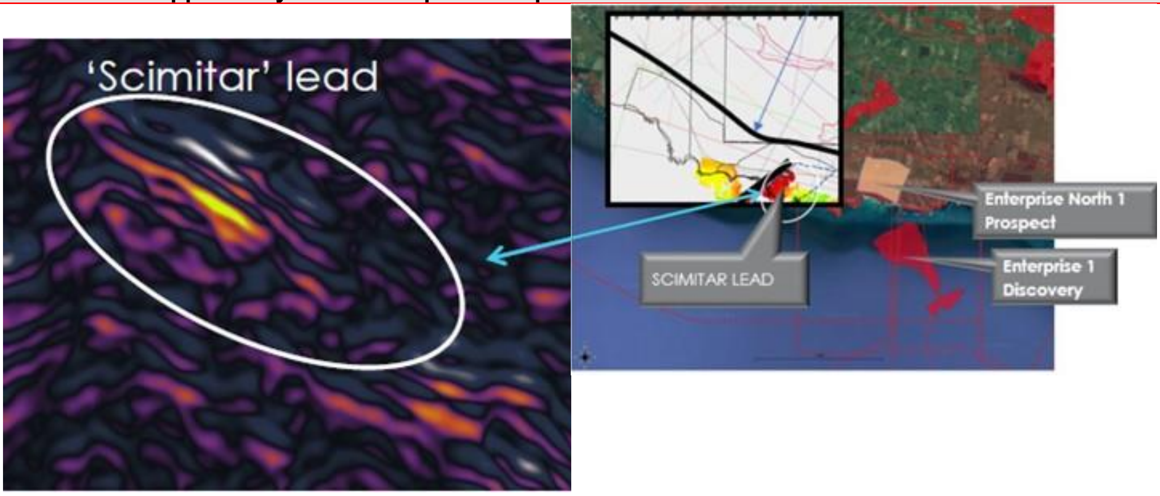
We estimate the potential value to LKO as ~$54-162mn on a risked, gross reserves spread of 50-150PJ, noting that perhaps initial reserves may be limited on the basis of a one well result.

We do highlight that BPT have booked gross reserves of 161PJ (plus liquids) on the basis of one well and testing; and the JV has pre-drill expectations that the success case has a high probability of being somewhat of an Enterprise 'twin'.

We assign a value on assuming a deal on Enterprise North only, however, there may be a bigger deal to be negotiated on a permit holistic basis.

The JV has identified additional exploration upside with the Scimitar lead mapped as a potentially large closure with associated seismic amplitude anomalies, indicating the presence of gas charge. Additional seismic data is required to promote the lead to drillable status, but there seems to be more to find.

Exhibit 6: The opportunity doesn't stop at Enterprise North



Source: Company data

Revisiting Otway-1

We reviewed higher-risk opportunities like Otway-1 in our Scoping Report of 19-Dec-2019. The recent drilling successes have shifted the focus of exploration towards prospects predicated on 3D seismic and to the south of the bounding fault, but there can still be material intrinsic value in the remainder of the prospect inventory.

Exhibit 7: …and there is potential 'north' of the fault

Otway-1 is a conventional well ready to be drilled in close proximity to the Iona gas field but in a separate fault block.

Being only 400m from existing facilities a discovery could be brought on-line quickly.

Small gas volumes may likely mean gas sales on an interruptible basis only, with uncertainty on pricing.

We note LKO has ascribed a P_{50} Prospective Resource to Otway-1 of 60Bcf (gross) which is significant and highly valuable in the current gas price environment.

An economic threshold would likely be around 10PJ with a commensurately short project life of perhaps three-four years.

The JV carries a probability of success rating of 25%.

Source: Company data

Chasing Gas In PNG

Lakes has entered into a Technical Cooperation Agreement with TotalEnergies EP PNG Limited (TotalEnergies), as a conditional precursor to a potential farmout across its (dominantly offshore) PNG licence - PPL 560.

Under the terms of the agreement:

- Lakes will undertake an outcrop rock and fluid sampling programme across the Cape Ward Hunt and Cape Vogel Peninsula areas, tagging potential exposures of source rock and reservoir for analyses.

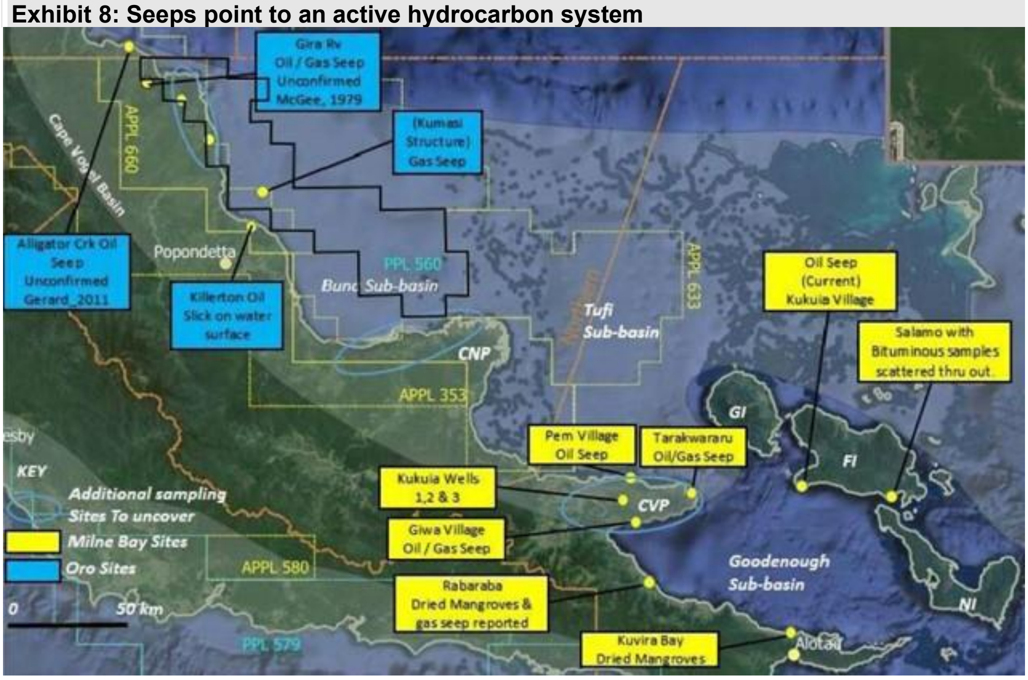
  The sampling programme is the initial phase of work (Phase A) which encompasses detailed and extensive geological and geophysical studies. This activity has been completed with samples shipped to TotalEnergies for analysis.

  TotalEnergies will fully fund the studies and analyses.

- Subject to completion and the results of Phase A, TotalEnergies has the option to undertake at its cost, a Phase B programme that includes seismic acquisition across the Buna prospect in preparation for drilling.

- Completion of both phases provides TotalEnergies with an option to acquire a 75% interest in PPL560, for fully funding the first US$30mn of the cost of an exploration well within PPL560. Given the focus of Phase B works is expected to be directed towards the Buna prospect, we assume this will be the primary target. Capital costs above US$30mn would be shared on a prorata basis with LKO retaining a 25% interest in the prospect.

Exhibit 8: Seeps point to an active hydrocarbon system



Source: Company data

The PPL 560 licence covers the Cape Vogel Basin, in shallow water offshore to the north of PNG (**Exhibit 9**). The company has mapped a number of large prospects within the permit, the most significant being the Buna prospect which is estimated to contain in excess of 3Tcf of natural gas.

TotalEnergies is a major international energy company with major interests in LNG projects on a global basis. The company sees natural gas as a critical energy for the renewables transition and as an important part of its energy offering, against an ambition to be a key contributor towards achieving carbon-neutrality by 2050.

TotalEnergies' strategy is to:

- Increase the share of gas in its sales mix to 50% by 2030;
- Consolidate a position in the top three in LNG; and
- Integrate its entire gas value chain, from production and trading, including gas-fired power plants and distribution.

Suffice to say that TotalEnergies takes gas seriously, which should provide a strong measure of confidence in the inferred prospectivity of PPL 560.

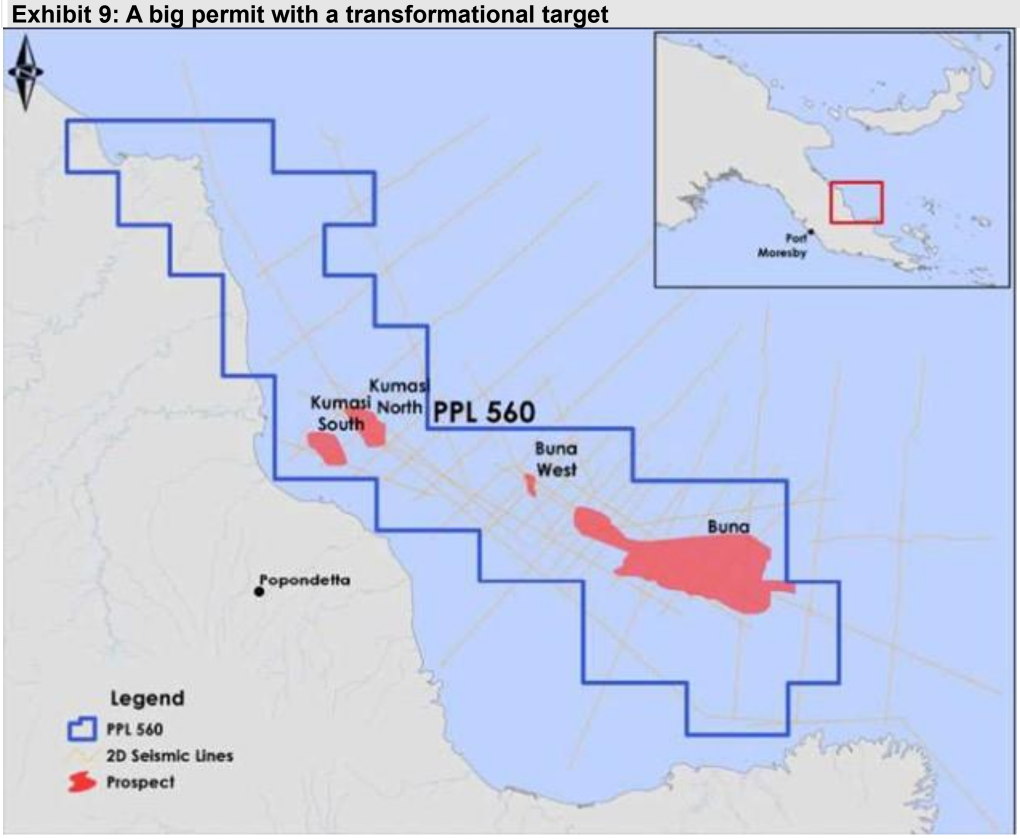
Whilst the absolute capital commitment at, say, US$50mn (corporate time, seismic and drilling) could be considered as a relatively cheap option, the company is likely attracted to the potential pay-off in gas terms, particularly against the 3Tcf potential of Buna.

On a rule of thumb that 1Tcf broadly equates to 1Mt (LNG) pa for 20 years, a success case close to prospective estimates could deliver a significant increment of new supply.

The value potential of the asset remains speculative, but TotalEnergies provide arms-length validation and importantly, a balance sheet.

This is a good, if somewhat sleeper deal for LKO.

Exhibit 9: A big permit with a transformational target



Source: Company data

Our Valuation Lifts On An Enterprise North Look Through

Lakes Blue Energy is an exploration company, which is a high-risk, speculative activity with largely binary outcomes. Assigning values to an exploration portfolio should be viewed within that context and represent where indicated probabilistic, success-case outcomes. Drilling can deliver significantly different results to pre-drill expectations with material impacts to valuation estimates both up and down. Exploration is also capital intensive and the confirmation of prospect values is strongly dependent on the availability of capital at any point.

Risk-adjusted asset valuation at $284m (mid-point)

We have upgraded our valuation based on the look-through analysis and high-grading of the Enterprise North prospect. We have chosen to apply an asset transaction method in valuing the opportunity in the absence of more certainty around a success-case development option and note that there is no certainty that the same metrics can or will apply.

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 risk weightings and commercial assumptions. **However, success cases can provide transformational upside**.

Exhibit 10: LKO NAV – Mid-point NAV represents a realistic success-case range

			Risked range (A$m)			
			Low*	Mid	High	
Enterprise North	PEP 167	49%	$54	$108	$162	Gross prospective gas opportunity of >400PJ with LKO ascribed of POS = 72%
Wombat	PRL 2	100%	$20	$72	$90	Asset contains 2C volumes representing lower risk outcomes…the gas is there awaiting a defined development 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%	$12	$21	$45	Nominal only
PNG	Various	93%	$8	$8	$8	Prospective resources (only) suggest commercial outcomes (gas) would likely be tied to export projects – TotalEnergies deal provides technical validation but drilling remains long-dated
			$120	**$284**	**$468**	
Net cash/(debt)				($3)		
Corporate				($2)		
TOTAL			**$121**	**$286**	**$469**	
Shares issued (mn)		46,555	0.2cps	0.6cps	1.0cps	
Diluted for Convertible Note exercise		56,558		0.5cps		There are currently 10,033mn notes on issue convertible on a 1:1 basis *(18-Aug)*

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

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Exhibit 11: Financial Summary

LAKES BLUE ENERGY NL		LKO
YEAR END		June
NAV	A$mn	$286
SHARE PRICE	Acps	0.1
MARKET CAP	A$mn	47
ORDINARY SHARES	M	46,555
OPTIONS	M	0
CONVERTIBLE NOTES	M	10,033

nm = not meaningful
na = not applicable

COMMODITY ASSUMPTIONS		FY21A	FY22A	FY23E	FY24E
Realised oil price	US$/b				
Realised gas price	US$/mcf				
Exchange Rate	A$:US$				

RATIO ANALYSIS		FY21A	FY22A	FY23E	FY24E
Shares Outstanding	M	35,521	45,305	50,305	55,305
EPS (pre sig items)	Acps	(0.12)	(0.07)	(0.07)	(0.07)
EPS (post sig items)	Acps				
PER (pre sig items)	x	na	na	na	na
OCFPS	Acps	(0.06)	(0.04)	(0.03)	(0.03)
CFR	x	na	na	na	na
DPS	Acps				
Dividend Yield	%				
BVPS	Acps	0.4	0.3	0.3	0.3
Price/Book	x	27.2x	30.3x	30.7x	32.6x
ROE	%	-32%	-21%	-22%	-24%
ROA	%	-17%	-11%	-11%	-12%
(Trailing) Debt/Cash	x				
Interest Cover	x				
Gross Profit/share	Acps				
EBITDAX	A$M	(4.2)	(3.2)	(3.5)	(4.0)
EBITDAX Ratio	%				

EARNINGS	A$000s	FY21A	FY22A	FY23E	FY24E
Revenue		0	0	0	0
Cost of sales		0	0	0	0
Gross Profit		**0**	**0**	**0**	**0**
Other revenue					
Other income		186	0	0	0
Exploration written off		(172)	(200)	(400)	(600)
Finance costs		(1,435)	(1,474)	(1,696)	(1,950)
Impairment					
Other expenses		(4,391)	(3,218)	(3,538)	(3,990)
EBIT		(4,205)	(3,218)	(3,538)	(3,990)
Profit before tax		**(4,205)**	**(3,218)**	**(3,538)**	**(3,990)**
Taxes		0	0	0	0
NPAT Reported		**(4,205)**	**(3,218)**	**(3,538)**	**(3,990)**
Underlying Adjustments					
NPAT Underlying					

CASHFLOW	A$000s	FY21A	FY22A	FY23E	FY24E
Operational Cash Flow		**(2,278)**	**(1,813)**	**(1,595)**	**(1,523)**
Net Interest		4	11	13	15
Taxes Paid					
Other					
Net Operating Cashflow		**(2,274)**	**(1,802)**	**(1,582)**	**(1,508)**
Exploration		(1,201)	(2,000)	(4,000)	(3,000)
PP&E		0	0	0	0
Petroleum Assets		0	0	0	0
Net Asset Sales/other		(139)	0	0	0
Net Investing Cashflow		**(1,040)**	**(2,000)**	**(4,000)**	**(3,000)**
Dividends Paid					
Net Debt Drawdown		0	0	0	0
Equity Issues/(Buyback)		0	5,084	4,631	4,631
Other					
Net Financing Cashflow		**3,152**	**5,084**	**4,631**	**4,631**
Net Change in Cash		**(162)**	**1,282**	**(951)**	**124**

BALANCE SHEET	A$000s	FY21A	FY22A	FY23E	FY24E
Cash & Equivalents		470	1,753	802	925
PP&E & Development		688	688	688	688
Exploration		22,780	24,580	28,180	30,580
Total Assets		**24,633**	**28,048**	**31,199**	**32,923**
Debt		842	841	841	0
Total Liabilities		**11,573**	**13,085**	**14,790**	**15,949**
Total Net Assets/Equity		**13,060**	**14,963**	**16,409**	**16,974**
Net Cash/(Debt)		(372)	912	(39)	925
Gearing dn/(dn+e)		3%	-6%	0%	-6%

PRODUCTION		FY21A	FY22A	FY23E	FY24E
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
Enterprise North	PEP 169	49%	Gas (Bcf)		100	
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)		0	
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	Risked Range (A$mn) Low	Mid	High
Enterprise North	49%	54	108	162
Wombat	100%	20	72	120
Trifon	58%	10	40	60
Nangwarry	50%	10	20	30
Other Vic	Various	5	13	38
Other SA	100%	2	2	5
Other Q	100%	12	21	45
PNG	100%	8	8	8
			284	
Net Cash/(debt)			3	
Corporate costs			(2)	**P/NAV**
TOTAL			**286**	0.00
Ordinary Fully Paid Shares	46,555 M		**0.6**	**cps**
Fully diluted (inc Convertible Notes)	56,588 M		**0.5**	**cps**

Source: RaaS Advisory; Priced as at 31-Oct-2022

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: 6^{th} May 2021

About Us

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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

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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

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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.

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