



A.C.N. 004 247 214

Lakes Oil N.L.

www.lakesoil.com.au



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

**FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2015**

This half-year financial report is to be read in
conjunction with the financial report for the year ended
30 June 2015

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FINANCIAL REPORT FOR THE HALF-YEAR ENDED

31 DECEMBER 2015

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**DIRECTORS' REPORT FOR THE HALF-YEAR
ENDED 31 DECEMBER 2015**

The directors present their report together with the condensed financial report of the consolidated entity consisting of Lakes Oil N.L. (the Company) and its controlled entities (the Group) for the half-year ended 31 December 2015 and independent review report thereon. This financial report has been prepared in accordance with AASB 134 Interim Financial Reporting.

DIRECTORS' NAMES

The directors in office at any time during or since the end of the half-year are:

Robert Annells	
Barney Berold	
Andrew Davis	Appointed 9 September 2015
Nicholas Mather	
Ian Plimer	
William Stubbs	
Chris Tonkin	Appointed 9 September 2015
Kyle Wightman	
Robbert de Weijer	Alternate Director

The directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

REVIEW OF OPERATIONS

The consolidated loss of the Group for the half-year after providing for income tax amounted to \$711,041 loss (2014: \$1,160,530 loss).

Corporate Developments

Victorian Moratorium on all onshore exploration

The Victorian State Government imposed a Moratorium on fracture stimulation in August 2012. In November 2013 the State Government extended the Moratorium until at least July 2015 while it conducts various community consultation processes on the Gas Market Taskforce report. The Victorian Government subsequently imposed a total ban on **all onshore exploration** until further notice. This has directly affected Lakes' exploration and development plans in the Gippsland and Otway Basins and all onshore permits have been placed into suspension and extension mode.

The State parliamentary inquiry final report into onshore gas exploration was completed in December 2015 containing many recommendations. However, the Government is yet to respond to the findings of this inquiry.

Movements in Capital

Converting Notes

Between April and June 2015 the Company issued 422,209 listed unsecured converting notes for \$10 per note.

These notes were issued under a "limited disclosure" section 713 prospectus dated 11 March 2015 under the *Corporations Acts 2001 (Cth)*. Interest is payable half-yearly at the rate of 50 cents per note commencing on 30 September 2015 with the final payment due on the notes' maturity date of 31 March 2017. These notes are not redeemable for cash by the Company.

Additionally each note holder may elect to convert notes at each interest payment date before maturity at 0.2 cents per share; i.e 5,000 fully paid ordinary shares per \$10 note.

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

DIRECTORS' REPORT (cont)

Corporate Developments (cont.)

Movements in Capital (cont.)

Converting Notes (cont.)

During the period interest of \$211,105 was paid to noteholders. Holders of 45,563 notes elected to convert their notes into 227,815,000 fully paid ordinary shares.

Request for Quotation

During the period the Company applied for the quotation (for technical reasons) of 182,000,000 existing fully paid ordinary shares held by the Directors on trust for the Company.

These shares were formerly classified as partly paid shares, and as previously announced to the ASX, had been forfeited and then offered for sale by public auction as fully paid shares.

Company meetings and Changes in Directors

On 15 July 2015 the Company advised the ASX that, at Armour Energy Limited's request it was required to convene a shareholder meeting to consider resolutions for the removal of 2 of its directors, namely its Executive Chairman Rob Annells and independent Non-Executive Director, Barney Berold. This meeting was held on 9 September 2015 and the resolutions for the removal of Mr Annells and Mr Berold were not successful. Also at that meeting two new independent non-executive directors were appointed to the Board; Mr Andrew Davis and Mr Chris Tonkin.

The Company held its annual general meeting on 23 November 2015 at which two directors retiring by rotation in accordance with the Constitution, Mr Berold and Mr Mather, were re-elected to the Board.

DIRECTORS' REPORT (cont)

Exploration and Operational Summary

The Victorian State Government Moratorium on all onshore exploration activity in Victoria has affected Lakes Oil's proposed drilling and fracture stimulation programs, particularly in PRL 2 and PEP 169, and therefore a change in the company's focus has been deemed necessary while the Moratorium is in place. All exploration permits in the State have been placed on suspension and extension until the ban is lifted. Meanwhile, Lakes Oil is pursuing projects located in Queensland and the USA and continuing to evaluate the prospectivity of its Victorian portfolio.

Permit Summaries

The exploration and evaluation activities during the period were as follows:

ONSHORE GIPPSLAND BASIN

□ PRL 2 – Onshore, Victoria

(Lakes Oil, Operator, 100% interest in the overall permit, except for the Trifon and Gangell blocks where Lakes Oil has a 57.5% interest and Jarden Corporation Australia Pty Ltd has a 42.5% interest)

As announced on 12 August 2013, Beach Energy Limited and Somerton Energy (now Cooper Energy) Limited withdrew from their farm-in agreement over PRL2 by which they could have earned a 50% interest in the permit by conducting certain expenditure up to the value of \$50 million. Armour Energy Ltd had a period of 6 months to match the terminated farm-in agreement. Lakes Oil has received a letter from Armour Energy Ltd purporting to exercise this matching right in relation to the farm-in agreement for PRL2. The matching right relates, amongst other things, to the Phase 1 fracture stimulation of 2 wells incurring up to \$10 million of expenditure which unfortunately is prevented during the moratorium currently imposed by the Victorian Government. As referred to above, the original farm-in agreement over PRL2 which Armour Energy Ltd purported to match also included a right to earn up to a 50% interest in PRL2. The parties have reserved their rights in this matter which is yet to be determined.

Additionally, Armour Energy Ltd has a 3 year option to acquire 50% of Lakes Oil's interests in the Trifon and Gangell blocks and a direct 25% interest in the remainder of PRL2 for a total payment of \$30 million. Option fees payable have a maximum lifetime value of \$0.6million. The life of this option has been extended while the moratorium is in place.

Field Activities.

No field activities took place during this period.

Planned Future Activities

All operational activities in PRL2 have been stalled awaiting lifting of the onshore exploration ban.

The Wombat-3 Re-entry Oil Test and Proposed Wombat-5 well operational programs will be conducted as soon as the ban is lifted and government requirements are met.

Planned Drilling Operations - Wombat 5 conventional well

Lakes Oil planned to drill Wombat 5 in Q1 of 2014 as a conventional horizontal well to test the 'weathered zone', an interval at the top of the Strzelecki Group with enhanced natural permeability that has previously flowed gas in Wombat 1, 2 and 3.

Planned Wombat 3 re-entry

Lakes Oil had planned to re-enter Wombat 3 well in Q1 of 2014 in order to flow test the oil that was previously identified (in the zone 2103-2105 m) and never fully tested. It is proposed to seal off the gas/water producing zone at the top of the Strzelecki Group and run a pumping completion into the hole to test the productivity of the lower oil/gas zone. Having satisfied all necessary statutory requirements it is planned to carry out this program once the onshore exploration ban is lifted.

DIRECTORS' REPORT (cont)

Exploration and Operational Summary (cont.)
ONSHORE GIPPSLAND BASIN (cont.)

- **PRL 3 – Onshore, Victoria**
(Lakes Oil Group, Operator: 100% interest of overall permit)

No further operational activities have taken place in this permit. The company is continuing to negotiate access to chosen drill hole sites.

- **PEP 166 – Onshore, Victoria**
(Lakes Oil Group; Operator 75% interest) (Armour Energy Ltd (Armour) 25% interest)

Regional mapping within the permit continued on evaluating the potential prospects to test additional Strzelecki and Rintouls Creek Formation tight gas and conventional plays. Without adequate and sufficient seismic data in the permit, mapping of intra-Strzelecki and base Strzelecki surfaces is extremely difficult. Re-interpretation of old coal bores, early wells and existing seismic data has been completed in the eastern part of the permit, where basement is indicated at around 3000 metres. Whilst the onshore exploration ban is in place, further regional mapping will continue.

OFFSHORE GIPPSLAND BASIN

- **VIC/P43(V) and VIC/P44(V) – Nearshore Victoria**
(Lakes Oil Group, operator 100% interest)

These permits are located in the nearshore coastal strip adjacent to PRL 2 in the north and continue southwards to just beyond St Margaret Island in the south. The tenure is for a 6 year period. Their location close to existing producing fields to the east and north east and the onshore Wombat fields to the west, places them in a favourable location for potential hydrocarbon accumulations. Initial evaluation of existing data has begun.

ONSHORE OTWAY BASIN

- **PEP 167 and PEP 175 - Onshore Victoria**
(Lakes Oil Group, operator 100% interest)

These permits are located adjacent to one another in the western part of the Otway Basin and were acquired in 2014. Preliminary evaluation of the existing geological and geophysical data continued in this period and has shown that the tight gas potential of the Eumeralla Formation has been largely overlooked by previous explorers. Known petroleum systems are present in the Cretaceous rocks that upgrade the hydrocarbon prospectivity of the permits. Further studies are continuing into evaluation of the existing well and seismic data as well as independent evaluations of prospectivity potential and potential gas in place estimates.

- **PEP 163 – Onshore, Victoria**
(Lakes Oil Group, Operator: 100% interest)

No further exploration activities have taken place in this permit.

DIRECTORS' REPORT (cont)

Exploration and Operational Summary (cont.)

Permit Summaries (cont.)

ONSHORE OTWAY BASIN (cont.)

□ **PEP 169 – Onshore, Victoria**

(Lakes Oil Group, 49% interest)[Operator as delegated by Armour Energy Ltd](Armour Energy Ltd 51% interest)

Planned Drilling Operations: Otway 1

The joint venture with Armour had planned to drill Otway1 in PEP 169 during Q1 of 2014. However, continued land access issues prior to the onshore exploration ban have further delayed the drilling of this conventional well. Estimated total depth is 1500 metres.

This proposed well will be located adjacent to and up-dip from the Iona Gas Field targeting three objectives in a tilted fault block with closures at three potential levels. The targets are: Pebble Point Formation, Waarre 'C' Formation and Eumeralla Formation. The 3D seismic data indicates that there is an amplitude anomaly (bright spot) present at the Pebble Point and Eumeralla horizons, which could indicate oil or gas.

EROMANGA BASIN, QUEENSLAND

□ **ATP 642P and ATP 662P**

(Lakes Oil Group, operator 100% interest)

ATP 642P and ATP 662P are located in the Eromanga Basin, Queensland. The permits have a tenure of six years and cover more than 1 million acres in total.

Examination of previous geological and geophysical investigations continued to build up our data base and understanding of the hydrocarbon prospectivity of the acreage. Planning for regional geophysical and geochemical assessment of the acreage continued in this period that incorporates regional structural trends and known hydrocarbon occurrences in the surrounding area. Quotes are being sought for the forward program.

ONSHORE USA – SAN JOAQUIN BASIN CALIFORNIA

□ **Eagle Prospect – Onshore, California, USA**

(Lakes Oil Group, 17.97% working interest; Operator: Strata-X)

The partners continue to assess this prospect in the San Joaquin Basin, California.

A resource study has been completed based on an eight-year basin wide geological, geophysical and drilling project by Victoria Petroleum Inc, which provided the foundation and primary impetus for the current work.

DIRECTORS' REPORT (cont)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the consolidated group's state of affairs during the period.

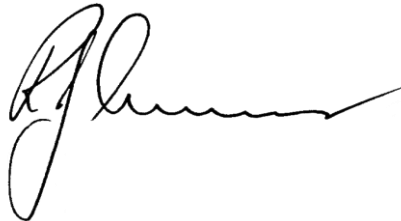
AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* in relation to the review for the half-year is provided with this report.

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

The amounts contained in the report and in the financial report have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the consolidated entity under ASIC Class Order 98/0100. The consolidated entity is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors:



.....
Robert J. Annells
Dated this 10 March 2016

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

In relation to the independent auditor's review for the half-year ended 31 December 2015, to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct.

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



M W PRINGLE
Partner

10 March 2016



PITCHER PARTNERS
Melbourne

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

CONDENSED CONSOLIDATED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

	Notes	31 Dec 2015 \$'000	Half-year 31 Dec 2014 \$'000
Revenue and Other Income			
Other income	4	1,064	22
Fair value gains/(losses) on financial assets through profit or loss		(137)	275
Total income		927	297
Less: Expenses			
Employee benefits expenses		(618)	(584)
Depreciation and amortisation expense		(20)	(30)
Finance costs		(28)	(39)
Accounting and audit expenses		(23)	(33)
Marketing and promotion expenses		(96)	(127)
Rent and occupancy expenses		(108)	(99)
Consulting expenses		(168)	(124)
Administrative expenses		(577)	(422)
Total expenses		(1,638)	(1,458)
Loss before income tax expense		(711)	(1,161)
Income tax expense		-	-
Loss for the half-year		(711)	(1,161)
Other comprehensive income for the half-year		-	-
Total comprehensive income for the half-year		(711)	(1,161)
Loss attributable to members of the parent:		(711)	(1,161)
Earnings per share for loss attributable to the equity holders of the parent entity			
Basic loss per share from continuing operations (cents per share)		(0.01)	(0.01)
Diluted loss per share from continuing operations (cents per share)		(0.01)	(0.01)

The accompanying notes form part of these condensed consolidated financial statements.

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

CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015

	Notes	31 Dec 2015 \$'000	30 Jun 2015 \$'000
Current assets			
Cash and cash equivalents		1,061	2,688
Receivables		69	78
Financial assets held at fair value through profit or loss	9	965	1,103
Other financial assets	7	596	866
Other current assets		98	38
Total current assets		2,789	4,773
Non-current assets			
Property, plant and equipment		1,885	1,904
Exploration, evaluation and development costs	8	52,347	52,118
Total non-current assets		54,232	54,022
Total assets		57,021	58,795
Current liabilities			
Trade and other payables		691	549
Borrowings	10	-	1,000
Converting notes		342	374
Provisions		218	224
Total current liabilities		1,251	2,147
Non-current liabilities			
Converting notes		81	312
Provisions		326	326
Total non-current liabilities		407	638
Total liabilities		1,658	2,785
Net assets		55,363	56,010
Equity			
Share capital – ordinary shares	11	107,614	107,168
Share capital – converting notes	11	3,122	3,504
Total Share Capital		110,736	110,672
Accumulated losses		(55,373)	(54,662)
Total equity		55,363	56,010

The accompanying notes form part of these condensed consolidated financial statements.

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

CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015

Consolidated	Contributed equity \$'000	Reserves \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance as at 1 July 2014	107,140	-	(51,919)	55,221
Loss for the half-year	-	-	(1,161)	(1,161)
Total comprehensive income for the half-year	-	-	(1,161)	(1,161)
Transactions with owners in their capacity as owners:				
Contributions – sale at auction of forfeited partly paid shares	28	-	-	28
Total transactions with owners in their capacity as owners	28	-	-	28
Balance as at 31 December 2014	107,168	-	(53,080)	54,088

Consolidated	Contributed equity \$'000	Reserves \$'000	Accumulated Losses \$'000	Total Equity \$'000
Balance as at 1 July 2015	110,672	-	(54,662)	56,010
Loss for the half-year	-	-	(711)	(711)
Total comprehensive income for the half-year	-	-	(711)	(711)
Transactions with owners in their capacity as owners:				
Capital raising costs	(4)			(4)
Return of forgone future interest payable on early conversion of converting notes	68	-	-	68
Total transactions with owners in their capacity as owners	64	-	-	64
Balance as at 31 December 2015	110,736	-	(55,373)	55,363

The accompanying notes form part of these condensed consolidated financial statements.

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

**CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2015**

		Half-year
	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Cash flow from operating activities		
Receipts	9	4
Payments to suppliers and employees	(1,486)	(1,245)
Payment for exploration and evaluation cost	(241)	(214)
Receipts from joint venture partners towards exploration and evaluation costs	-	98
Interest received	16	18
Research and development – Tax refund	1,034	-
Finance costs	(13)	(9)
Net cash used in operating activities	(681)	(1,348)
Cash flow from investing activities		
Payment for exploration permits	-	(1,486)
Proceeds from trustee investments	270	206
Net cash provided by / (used in) investing activities	270	(1,280)
Cash flow from financing activities		
Proceeds from issues of ordinary shares upon sale at auction of forfeited partly paid shares	-	29
Converting notes interest paid	(211)	(110)
Payment of note issue costs	(5)	-
Repayment of borrowings	(1,000)	-
Net cash used in financing activities	(1,216)	(81)
Net decrease in cash and cash equivalents	(1,627)	(2,709)
Cash and cash equivalents at beginning of half-year	2,688	3,056
Cash and cash equivalents at end of half-year	1,061	347

The accompanying notes form part of these condensed consolidated financial statements.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2015

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This condensed consolidated half-year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by Lakes Oil N.L. during the half-year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*. Lakes Oil N.L. is a for-profit entity for the purpose of preparing the financial statements.

The half-year financial report was authorised for issue by the directors as at the date of the directors' report.

(a) Basis of preparation

This condensed consolidated half-year financial report has been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* as appropriate for for-profit entities, and the *Corporations Act 2001*. Compliance with AASB 134, as appropriate for for-profit entities, ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

(b) Summary of significant accounting policies

All accounting policies applied in this half-year financial report are the same as those used in the annual financial report for the year ended 30 June 2015.

Research and development tax concessions

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

(c) Going concern

The Directors have prepared the financial report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity incurred an operating loss after income tax expense for the half year ended 31 December 2015 of \$0.7 million (2014: \$1.2 million) and at reporting date has net assets of \$55.3 million (June 2015: \$56.0 million) including \$ 52.3 million (June 2015: \$52.1 million) of capitalised exploration, evaluation and development.

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

The consolidated entity will seek to address the cash requirements at an appropriate time by:

- Commencing the process of accessing additional equity or financial instrument funding, however at the date of this report had not reached any decision on raising additional capital.
- Continuing to pursue opportunities to negotiate pre-paid gas supply contracts however at the date of this report no agreements have been signed.
- Continuing to pursue opportunities to farm-out part of the company's exploration interests, however at the date of this report no agreements have been signed.
- Securing finance of \$1 million by secured mortgage over one of the consolidated entity's properties, however at the date of this report no agreements have been signed.

The company's ability to continue as a going concern and meet its commitments as they fall due is dependent on its ability to raise sufficient funding, or to reduce operating costs sufficiently. Should such funding not be available, the Directors have considered alternate plans and will take such steps as are necessary to reduce the net cash outlays sufficient to maintain the company's operations as a going concern.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2015 (cont.)

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT (cont.)

(c) Going concern (cont.)

This financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the economic entity be unable to continue to raise sufficient funding. If the going concern basis of accounting is found to be no longer appropriate, the recoverable amounts of the assets shown on the balance sheet are likely to be significantly less than the amounts disclosed and the extent of the liabilities may differ significantly, from those reflected in the balance sheet.

(d) Rounding of amounts

The Company is of a kind referred to in ASIC Class Order CO 98/0100 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(e) New accounting standards issued but not yet effective

The AASB has issued a number of new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods, some of which are relevant to Lakes Oil N.L. and controlled entities (the Group). The Group has decided not to early adopt any of these new and amended pronouncements. The Group's assessment of the new and amended pronouncements that are relevant to the Group but applicable in future reporting periods is set out below.

AASB 16: Leases (applicable for annual reporting periods commencing on or after 1 January 2019).

AASB 16 will replace AASB 117: Leases and introduces a single lessee accounting model that will require a lessee to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Rights-to-use assets are initially measured at their cost and lease liabilities are initially measured on a present value basis. Subsequent to initial recognition:

- right-to-use assets are accounted for on a similar basis to non-financial assets, whereby the right-of-use asset is accounted for in accordance with a cost model unless the underlying asset is accounted for on a revaluation basis, in which case if the underlying asset is:
 - o investment property, the lessee applies the fair value model in AASB 140: Investment Property to the right-to-use asset; or
 - o property, plant or equipment, the lessee applies the revaluation model in AASB 116: Property, Plant and Equipment to all of the right-to-use assets that relate to that class of property, plant and equipment; and
- lease liabilities are accounted for on a similar basis as other financial liabilities, whereby interest expense is recognised in respect of the liability and the carrying amount of the liability is reduced to reflect lease payments made.

AASB 16 substantially carries forward the lessor accounting requirements in AASB117. Accordingly, under AASB 16 a lessor would continue to classify its leases as operating leases or finance leases subject to whether the lease transfers to the lessee substantially all of the risks and rewards incidental to ownership of the underlying asset, and would account for each type of lease in a manner consistent with the current approach under AASB 117.

Although the directors anticipate that the adoption of AASB 16 may have an impact on the Group's accounting for its operating leases, it is impracticable at this stage to provide a reasonable estimate of such impact.

Other impacts on the reported financial position and performance have not yet been determined.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2015 (cont.)

NOTE 2: SUBSEQUENT EVENTS

Apart from the following and the events and circumstances disclosed elsewhere in this half-year financial report, no matter or circumstance has arisen since balance date that has significantly affected or may significantly affect the company's operations, results of those operations or state of affairs in future financial years.

On 8 January 2016 the company issued 58,000,000 unlisted options over fully paid ordinary shares to non-director employees pursuant to their respective remuneration packages. These options are exercisable at 0.5 cents each, expiring on 8 January 2021 and vested on issue.

As disclosed in Note 9 to this half-year financial report, as at 31 December 2015 the fair value of Lakes Oil N.L.'s holding in Greenearth Energy Ltd was \$965,000 (13,786,000 shares at \$0.07 per share). Subsequent to the half-year reporting date, the quoted price of Greenearth Energy Ltd shares fell below \$0.07 per share. At the end of trading on 9 March 2016 the quoted price of Greenearth Energy Ltd shares was \$0.055. As this change in the listed price of Greenearth Energy Ltd occurred after balance date, it has been treated as a non-adjusting event in accordance with AASB 110: Events after the Reporting Period. Nevertheless, had Lakes Oil N.L.'s interest in Greenearth Energy Ltd been measured as at 9 March 2016, the total fair value loss (including the \$137,000 fair value loss recognised for the half-year ended 31 December 2015) recognised for the period would have been \$345,000.

NOTE 3: DIVIDENDS

No dividends have been paid or provided for during the half-year.

	31 Dec 2015	31 Dec 2014
	\$'000	\$'000

NOTE 4: OTHER INCOME

Receipt of research and development tax concessions	1,035	-
Interest and other income	29	22
	1,064	22

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2015 (cont.)

NOTE 5: SEGMENT INFORMATION

The consolidated entity has two reportable segments as described below:

Segment 1: Exploration for hydrocarbon reserves, principally in on-shore regions of Victoria, Australia.
 Segment 2: Investment in entities engaged in the industrial energy efficiency sector.

31 Dec 2015 Half-year	Segment 1 \$'000	Segment 2 \$'000	All other segments \$'000	Total \$'000
Segment revenue				
Total segment revenue	1,045	-	-	1,045
Revenue from external source	1,045	-	-	1,045
Segment result				
Total segment result	(573)	(137)	-	(710)
Segment result from external source	(573)	(137)	-	(710)
Interest revenue				19
Depreciation and amortisation				(20)
Loss after income tax				(711)

31 Dec 2014 Half-year	Segment 1 \$'000	Segment 2 \$'000	All other segments \$'000	Total \$'000
Segment revenue				
Total segment revenue	4	-	-	4
Revenue from external source	4	-	-	4
Segment result				
Total segment result	(1,425)	276	-	(1,149)
Segment result from external source	(1,425)	276	-	(1,149)
Interest revenue				18
Depreciation and amortisation				(30)
Loss before income tax				(1,161)

All assets and liabilities on the statement of financial position relate to Segment 1, with the exception of financial assets at fair value through the profit and loss which relate to Segment 2. These assets are disclosed in Note 9.

All assets and liabilities on the statement of financial position are based in Australia, with the exception of a Segment 1 Non-current asset, being Exploration, evaluation and development costs of Eagle Prospect, a permit in the USA, which has a carrying value of \$ 3,861,000.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2015 (cont.)

NOTE 6: CONTINGENT LIABILITIES

There were no contingent liabilities outstanding as at 30 June 2015 and there have been no changes to this situation up to the date of the signing of this half-year financial report.

	31 Dec	30 June
	2015	2015
	\$'000	\$'000

NOTE 7: OTHER FINANCIAL ASSETS

Cash held on Trust	574	844
Bonds and Guarantees for property leases	22	22
	596	866

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

Bonds and Guarantees for property leases are non-interest bearing and are refunded upon the termination of the lease contract.

NOTE 8: EXPLORATION, EVALUATION AND DEVELOPMENT COSTS

Exploration and evaluation costs carried forward in respect of mining areas of interest

Pre- Production

- Exploration and evaluation phases

Balance at the beginning of the period brought forward	52,118	50,148
Add: purchase of additional permits	-	1,486
Add: expenditure incurred during the period including purchase costs of new permits	229	494
Less: net expenditure written off during the period	-	(10)
Total exploration and evaluation costs carried forward	52,347	52,118

NOTE 9: FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

Investments in listed securities at fair value through profit and loss comprise:

Greenearth Energy Ltd	965	1,103
	965	1,103

Listed company shares are a recurring level 1 fair value measurement financial asset.

As at 31 December 2015, the fair value of Lakes Oil N.L.'s holding in Greenearth Energy Ltd was \$965,000(13,786,000 shares at \$0.07 per share). Subsequent to the half-year reporting date, the quoted price of Greenearth Energy Ltd shares fell below \$0.07 per share. At the end of trading on 9 March 2016, the quoted price of Greenearth Energy Ltd shares was \$0.055. Had Lakes Oil N.L.'s interest in Greenearth Energy Ltd been measured as at 9 March 2016, the total fair value loss (including the \$137,000 fair value loss recognised for the half-year ended 31 December 2015) recognised for the period would have been \$ 345,000.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2015 (cont.)

	31 Dec	30 June
	2015	2015
	\$'000	\$'000
NOTE 10: BORROWINGS (Current)		
Mortgage	-	1,000
	-	1,000

In January 2015 a Lakes Oil NL fully owned subsidiary entered into a mortgage over land that it owned. This mortgage was for \$1 million. Interest was fixed and the principal was repaid in July 2015. Lakes Oil NL was guarantor for this mortgage.

NOTE 11: CONTRIBUTED CAPITAL

Converting Notes

Between April and June 2015 the Company issued 422,209 listed unsecured converting notes for \$10 per note.

These notes were issued under a "limited disclosure" section 713 prospectus under the *Corporations Acts 2001 (Cth)* dated 11 March 2015. Interest is payable half-yearly at the rate of 50 cents per note commencing on 30 September 2015 with the final payment due on the notes' maturity date of 31 March 2017.

All interest payable was maintained in an account controlled by a Paying Trustee on trust for holders of notes and for their benefit for the purposes of providing for payment of all future interest payments.

These notes are not redeemable for cash by the Company.

Additionally each note holder may elect to convert notes at each interest payment date before maturity at 0.2 cents per share; i.e 5,000 fully paid ordinary shares per \$10 note.

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

During the period interest of \$211,105 was paid to noteholders. Holders of 45,563 notes elected to convert their notes into 227,815,000 fully paid ordinary shares.

Request for Quotation

During the period the Company applied for the quotation (for technical reasons) of 182,000,000 existing fully ordinary shares held by the Directors on trust for the Company.

These shares were formerly classified as partly paid shares, and as previously announced to the ASX, had been forfeited and then offered for sale by public auction as fully paid shares.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2015 (cont.)

NOTE 11: CONTRIBUTED CAPITAL (cont.)

Movements in shares on issue

	31 Dec 2015		30 Jun 2015	
	Number of shares	\$'000	Number of shares	\$'000
Beginning of the half-year	11,430,638,039	107,168	10,144,088,039	105,192
Issued during the half-year				
- Conversion of converting notes at maturity	227,815,000	382	1,095,050,000	1,834
- less note issue costs adjustment on conversion	-	(4)		(78)
- add present value of interest returned on early conversion of converting notes	-	68		-
- auction of forfeited partly paid shares	-	-	9,500,000	28
- forfeited partly paid shares now fully paid ordinary shares held on trust	-	-	182,000,000	192
End of the half-year	11,658,453,039	107,614	11,430,638,039	107,168

Movements in other rights to ordinary shares – partly paid

	31 Dec 2015		30 Jun 2015	
	Number of shares	\$'000	Number of shares	\$'000
Beginning of the half-year	-	-	191,500,000	192
Forfeited during the year				
- Partly paid shares	-	-	(191,500,000)	(192)
End of the half-year	-	-	-	-

Movements in converting notes on issue

	31 Dec 2015		30 Jun 2015	
	Number of notes	\$'000	Number of notes	\$'000
Beginning of the half-year	422,209	3,504	219,010	1,756
Issued during the half-year				
- public equity raising	-	-	422,209	3,536
- less note issue costs	-	-	-	(32)
- conversion of converting notes	(45,563)	(382)	(219,010)	(1,834)
- note issue costs on conversion	-	-	-	78
End of the half-year	376,646	3,122	422,209	3,504

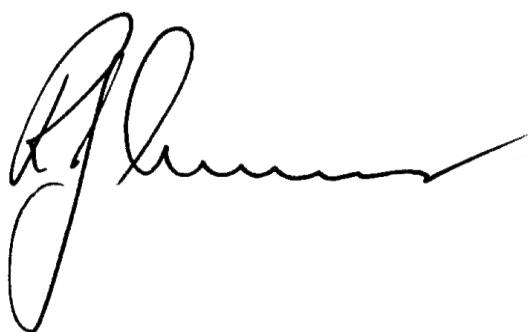
DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 10 to 20 are in accordance with the *Corporations Act 2001*:

- (a) Comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*, and other mandatory professional reporting requirements; and
- (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2015 and of its performance for the half-year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Lakes Oil N.L. will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'R Annells', with a long horizontal flourish extending to the right.

Robert J Annells
Chairman

Melbourne
10 March 2016

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

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

We have reviewed the accompanying half-year financial report of Lakes Oil N.L. and controlled entities, which comprises the condensed consolidated statement of financial position as at 31 December 2015, the condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Lakes Oil N.L., ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Lakes Oil N.L. is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Emphasis of Matter in relation to Going Concern

Without modifying our conclusion expressed above, attention is drawn to the matters set out in Note 1 (c) Going Concern in the financial report.

The Directors have prepared the financial report on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The consolidated entity incurred an operating loss after income tax expense for the half year ended 31 December 2015 of \$0.7 million (2014: \$1.2 million) and at reporting date has net assets of \$ 55.3 million (June 2015: \$56.0 million) including \$ 52.3 million (June 2015: \$52.1 million) of deferred exploration, evaluation and development assets.

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

Subsequent to the period the company has sought to address the cash requirements by:

- Commencing the process of accessing additional equity or financial instrument funding, however at the date of this report had not reached any decision on raising additional capital.
- Continuing to pursue opportunities to negotiate pre-paid gas supply contracts however at the date of this report no agreements have been signed.
- Continuing to pursue opportunities to farm-out part of the company's exploration interests, however at the date of this report no agreements have been signed.
- Securing finance of \$1 million by secured mortgage over one of the consolidated entity's properties, however at the date of this report no agreements have been signed.

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

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

The company's ability to continue as a going concern and meet its commitments as they fall due is dependent on its ability to raise sufficient funding, or to reduce operating costs sufficiently. Should such funding not be available, the Directors have considered alternate plans and will take such steps as are necessary to reduce the net cash outlays sufficient to maintain the company's operations as a going concern.

The financial report does not include any adjustment relating to the recoverability or classification of recorded asset amounts nor to the amounts or classification of liabilities that might be necessary should the consolidated entity be unable to continue to raise sufficient funding.

If the going concern basis of accounting is found to be no longer appropriate, the recoverable amounts of the assets shown on the Statement of Financial Position are likely to be significantly less than the amounts disclosed and the extent of the liabilities may differ significantly, from those reflected in the Statement of Financial Position.



M W PRINGLE
Partner



PITCHER PARTNERS
Melbourne

10 March 2016