

Lakes Blue Energy NL

ABN 62 004 247 214

Interim Report - 31 December 2025

Lakes Blue Energy NL
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31 December 2025

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Lakes Blue Energy NL
Directors' report
31 December 2025

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Lakes Blue Energy NL (referred to hereafter as the 'Company') and the entities it controlled at the end of, or during, the half-year ended 31 December 2025.

Directors

The following persons were directors of Lakes Blue Energy NL during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Roland Sleeman (Non-Executive Chairman)
Richard Ash (Executive Director and Chief Executive Officer)
Nicholas Mather (Non-Executive Director)
Boyd White (Non-Executive Director)

Principal activities

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

Review of operations

Overview

Lakes Blue Energy NL delivered a half-year of substantial operational activity, with efforts centred on drilling and completing the Wombat-5 appraisal well and transitioning the Wombat Gas Field into production testing. In parallel, the Company advanced the commercialisation pathway for the Nangwarry CO₂ Project and delivered several corporate milestones, including its recommencement of trading on the ASX. The period saw Wombat positioned for commercial evaluation while maintaining continued progress across the broader portfolio.

Table 1: Project Portfolio and Prospectivity

Project	Location	Resource / Target / Royalty (Net to Company)
Projects 100% Company Owned		
Wombat Gas Field	PRL 2, Gippsland, Vic	329 Bcf Contingent Resource ¹
Trifon-Gangell Gas Field		390 Bcf Contingent Resource ¹
Baragwanath Gas Field		966 Bcf Prospective Resource ¹
Portland Energy Project	PEP 175, Otway Basin, Vic	Permit Area: 286 Tcf gas initially in place ² Focus Area: 11.5 Tcf prospective resource ²
	PEP 167, Otway Basin, Vic	Permit Area: 116 Tcf gas initially in place ²
Roma Shelf Project	ATP 1183, Surat Basin, Qld	Target discovery and recovery ³ 30 – 40 Bcf gas; 3 MMBbl oil
Projects 50% Company Owned		
Nangwarry Carbon Dioxide	PRL 249, Otway Basin, SA	12.9 Bcf sales gas ⁴
Projects in which Company has Royalty Interest		
Enterprise North, Otway-1 and other Prospects	PRL 169, Otway Basin, Vic	Lakes will earn ~4.0% of wellhead value of any petroleum produced
Arrowie Basin	South Australian PELAs	2.5% of value hydrogen or helium production; 3.5% of value of petroleum production

¹ Gaffney, Cline & Associates, as reproduced on pages 24-25 of "Independent Specialist Report on the petroleum assets of Navgas Pty Ltd and Lakes Oil NL", SRK Consulting (Australasia) Pty Ltd, made public in December 2016. Of the certified quantities, Lakes estimates 250 PJ and 200 PJ will be recoverable by conventional methods from Wombat and Trifon-Gangell, respectively

² "Estimated Unconventional Gas Potential for a Defined Prospect Area in PEP 175, Otway Basin, Victoria", May 2015, SRK Consulting (Australasia) Pty Ltd, in accordance with SPE-PRMS guidelines. Lakes estimates that around 3 Tcf of the prospective resource of the Focus Area will be recoverable by conventional methods.

³ Best estimates prepared on a deterministic basis by Mr Peter Bubendorfer, Geotechnical Assessor, Armour Energy Limited.

⁴ Contingent Resource Estimation, ERCE Equipoise Pte. Ltd 2021 – ASX Announcement 12 July 2021.

Wombat Gas Field (PRL 2, Gippsland Basin, Victoria)

Lakes' primary operational focus during the half-year was the Wombat-5 appraisal well program. Following the resumption of trading on ASX in early July, the Company confirmed that it had satisfied the regulatory conditions associated with Ministerial consent to drill, including lodging a bank guarantee to cover the rehabilitation bond. This enabled mobilisation of Condor Energy Services Rig #1 and commencement of drilling operations.

In advance of spudding, Lakes completed site preparation works on its freehold landholding at Wombat, including construction of the well cellar and drilling sump, establishment of laydown and access areas, and associated earthworks required to support drilling.

Drilling of Wombat-5 commenced on 1 August 2025. The well was designed as a conventional horizontal well to be drilled to a planned measured depth of approximately 3,050 metres, targeting the gas-bearing Strzelecki Formation to confirm reservoir deliverability and support future field development. Throughout the campaign, Lakes provided daily updates confirming progression through initial hole sections, casing operations and continued advancement toward total depth.

By late September 2025, total depth of 3,052 metres measured depth had been reached, including a horizontal section of approximately 1,500 metres. A 4½" swellable packer completion was run to 2,438 metres measured depth, enabling downhole isolation for removal of blowout preventer equipment and installation of the production wellhead. The wellhead was subsequently installed and pressure tested, and the drilling rig was released on 30th September and demobilised from site.

Following completion of drilling, the Company confirmed that the horizontal section intersected three significant sand intervals within the Strzelecki Formation exhibiting good porosity and high gas content. Two intervals correlated with gas-bearing packages encountered in earlier Wombat wells that had previously flowed gas, and a new middle interval was identified, supporting the interpretation that multiple sand zones may contribute to overall production potential. While the completion could not be run to total depth due to drilling complications, the lower interval is expected to contribute to production potential.

During October and November, the Company finalised preparations for production testing. The site was re-graded, testing equipment and services were secured, and required regulatory approvals were confirmed. Mobilisation commenced mid-November; however, timing of the commencement of testing activities was revised due to the need to remediate the production swell packer and the availability of third-party equipment and personnel to conduct this. The remediation activities were successful, but commencement of the testing activities was deferred until after the Christmas period.

Post half-year end, production testing commenced at Wombat-5 following installation and integrity verification of the testing configuration. The program is assessing gas flow rates, reservoir characteristics and deliverability from the Strzelecki Formation intervals intersected during drilling, with results to inform the Company's assessment of resource recoverability and development parameters.

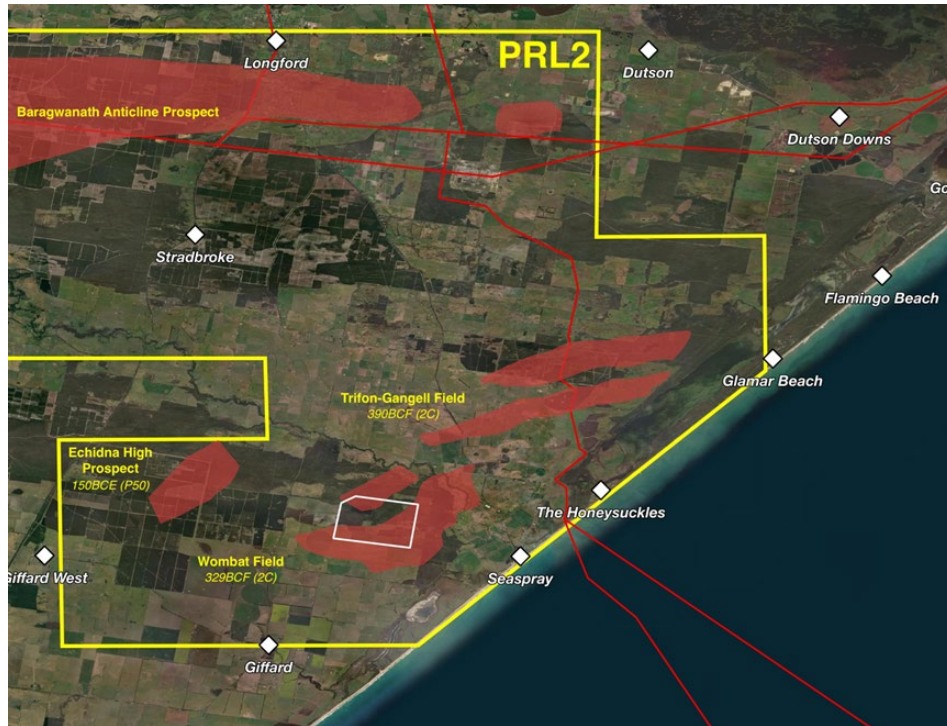


Figure 1: Wombat and Trifon-Gangell Locations



Figure 2: Wombat-5 gas flare on 19 January 2026, following blowing down with Nitrogen



Figures 3 & 4: Wombat-5 production wellhead and cleared wellsite

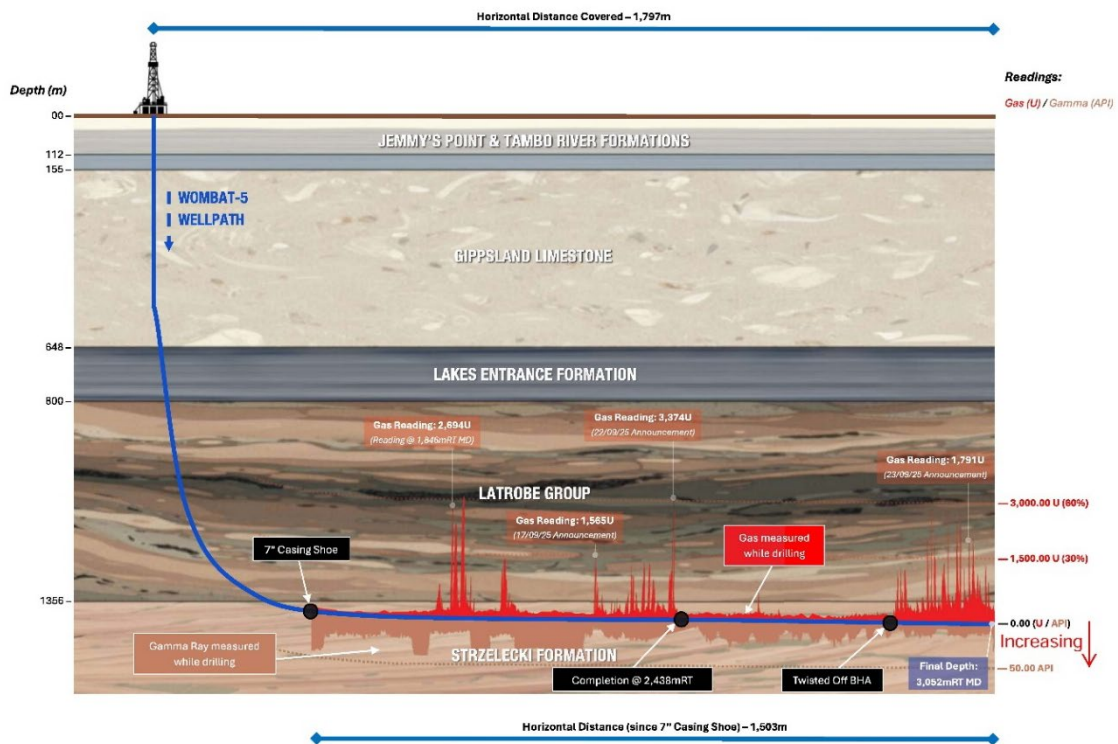


Figure 5: Schematic cross-section showing the Wombat-5 well path and significant gas shows to be tested during the production testing operations

Portland Energy Project – Otway Basin, Victoria

Lakes continues to advance its 100%-owned Portland Energy Project in the onshore Otway Basin, targeting a potentially large, conventional gas resource within the Eumeralla Formation. The project area is considered prospective for in excess of 1 TCF of recoverable gas, based on historical drilling which consistently intersected gas-bearing Eumeralla sands, although commercial gas testing was not undertaken at the time due to the historic focus on oil exploration and the absence of nearby infrastructure.

During the half-year, the Company maintained technical review and planning activities in support of its proposed proof-of-concept drilling program. The planned Port Fairy-2 and Greenslopes-2 wells are designed to intersect approximately 1,000 metres of the Eumeralla Formation and will be drilled underbalanced using air to maximise the opportunity to observe natural gas flow during drilling and demonstrate reservoir producibility.

The Company continues to assess timing for regulatory submissions and drilling, with progression to be aligned with outcomes from the Wombat program. The project's proximity to existing pipeline infrastructure and major industrial gas users in south-east Australia provides a clear pathway to market in the event of a successful proof-of-concept outcome.

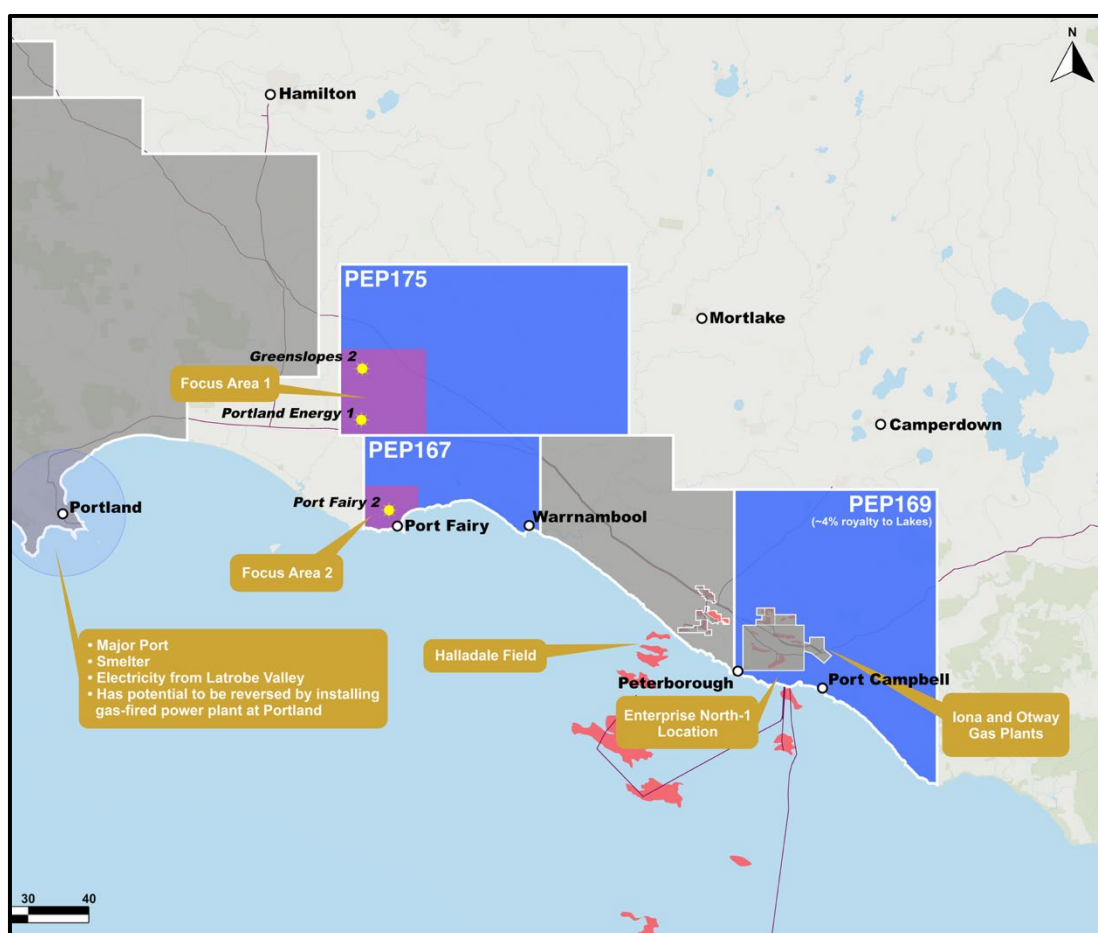


Figure 7: Location of Portland Energy Project, Otway Basin

Roma Shelf Oil and Gas Project (ATP 1183, Queensland)

ATP 1183 is a 100%-owned exploration permit covering a prospective area of the Roma Shelf in Queensland's Surat Basin. The permit contains multiple conventional oil and gas targets, including Wellesley, Riverslea Updip, Major, Emu Apple and Bendee. During the half-year, the Company continued to review exploration planning for the permit while prioritising capital allocation toward the Wombat program in Victoria. Structural interpretation and well positioning concepts remain central to the forward exploration strategy, with progression aligned to funding and broader portfolio priorities.

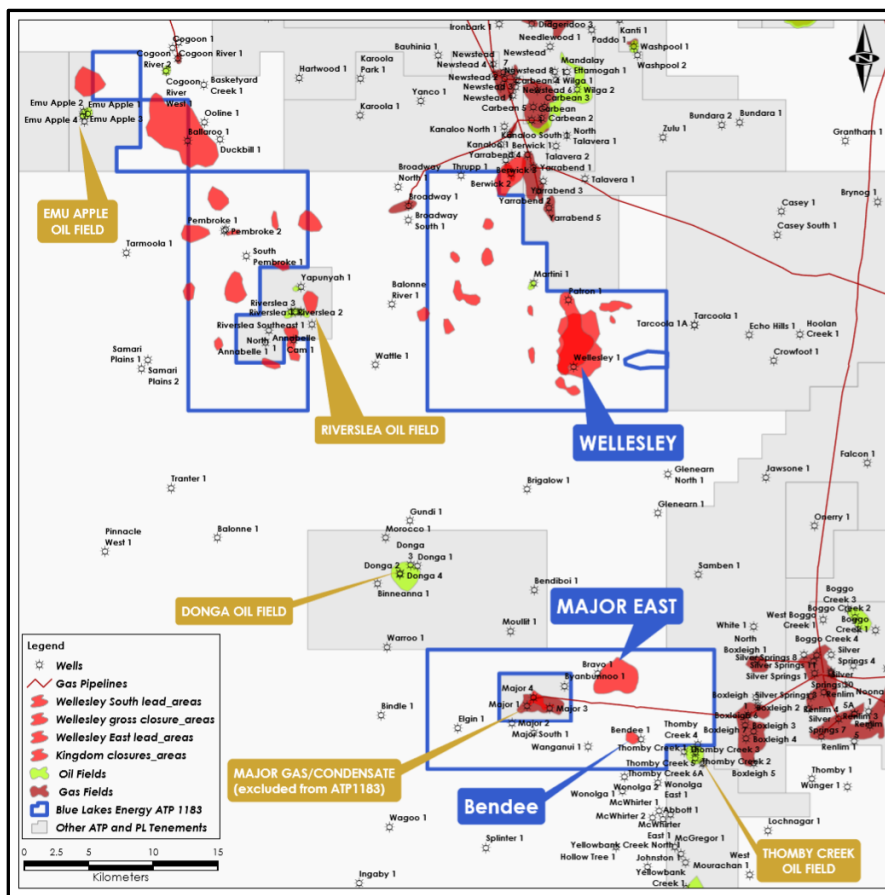


Figure 8: ATP 1183 Location Map

Nangwarry Carbon Dioxide Project (PRL 249, Otago Basin, South Australia)

During the half-year, the Company progressed commercialisation initiatives at its Nangwarry CO₂ Project in Petroleum Retention Licence 249, South Australia.

On 17 July 2025, Lakes entered into a binding Heads of Agreement with Beijing Maison Group (“Maison”) under which Maison will lead and fully fund a bankable feasibility study to evaluate development of a food and beverage-grade CO₂ liquefaction plant with anticipated production capacity of 100–200 tonnes per day.

The Nangwarry field contains a certified resource of approximately 26 Bcf⁵ of high-purity CO₂, considered sufficient to support approximately 20 years of production at the proposed scale⁶. The feasibility study will address plant design, capital and operating cost estimates, regulatory pathway, commercial arrangements and assessment of CO₂ market demand. The project represents a potential additional revenue stream alongside Lakes’ core focus on the Wombat Gas Field.

During the reporting period, preparatory activities were undertaken to support the feasibility study, including an Expression of Interest campaign to engage potential offtake partners. Market conditions continue to support the strategic rationale for progressing the Nangwarry opportunity.

Table 2: Independently Certified CO₂ Sales Gas Volume⁷

Gross CO ₂ Sales Gas (Bscf) For PEL 155		
Low	Best	High
9.0	25.9	64.4

⁵ Contingent Resource Estimation, ERCE Equipoise Pte. Ltd 2021 – ASX Announcement 12 July 2021.

⁶ Refer to Vintage Energy (ASX: VEN) ASX announcement “Nangwarry Field Update”, dated 12 July 2021, and Vintage Energy investor presentation dated 26 May 2025, for further detail on the certified resource and potential production rates.

⁷ The independent estimate was prepared by ERC Equipoise Pte Ltd (ERCE) using a probabilistic methodology. Under the June 2018 Society of Engineers Petroleum Resources Management System, (PRMS), volumes of nonhydrocarbon by-products cannot be included in any Reserves or Resources classification. However, the method used by ERCE is consistent with that prescribed by the PRMS.

Net CO ₂ Sales Gas (Bscf) 50% LKO Low Best High		
Low	Best	High
4.5	12.9	32.2

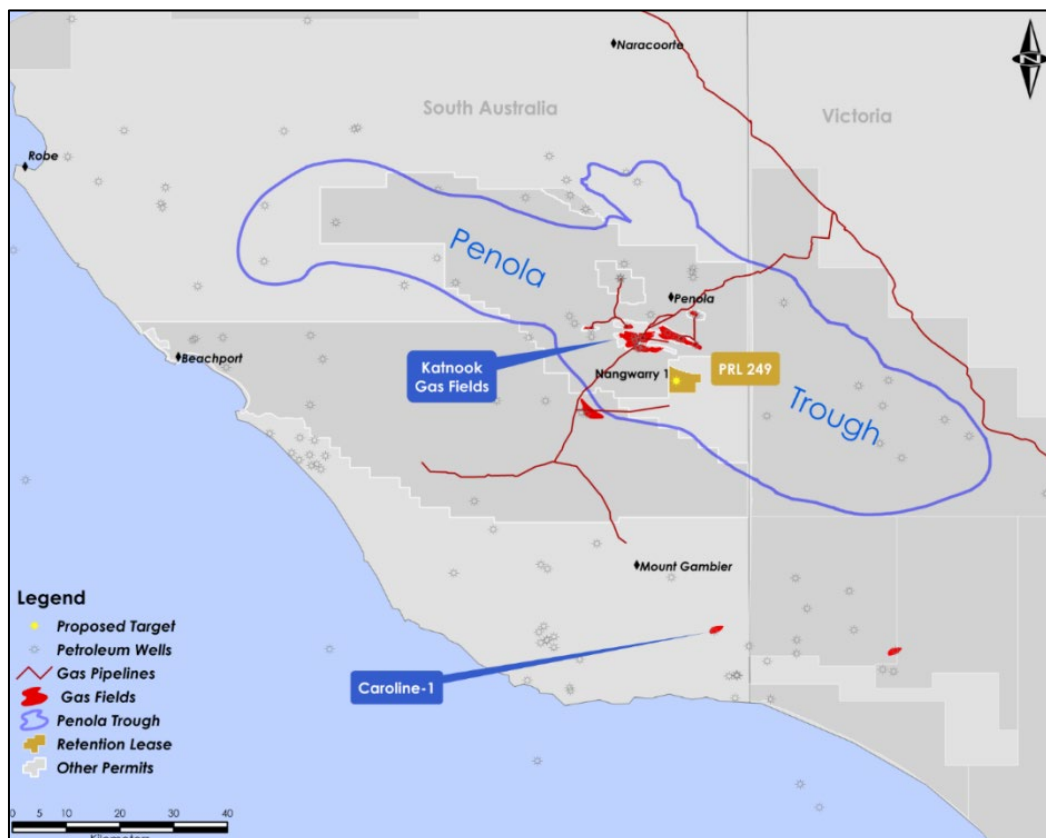


Figure 6: Nangwarry Project Location

Papua New Guinea

Lakes has not been able to renew its 100% interest in Petroleum Prospecting Licence 560 in Papua New Guinea, which hosts the Buna prospect. During the half-year, the Company continued to evaluate pathways to progress the prospect, including consideration of farm-in participation, for a US\$50m well prior to the expiry of the license. In addition, Lakes had applied for an extension of the license approximately two years ago. The PNG Government has refused to respond to the application.

CORPORATE

Capital Raisings

In June 2025, immediately prior to the commencement of the half-year period, the Company completed a \$6.5 million placement at \$0.75 per share. A total of 8,663,667 new shares were issued across two tranches, with shareholder approval obtained in July 2025 for the second tranche and for the issue of shares to directors in lieu of outstanding fees. Proceeds were directed toward drilling of the Wombat-5 well and associated working capital requirements.

In September 2025, the Company completed an additional \$5.8m placement at \$1.15 per share. A total of 5,043,479 new shares were issued across two tranches, with shareholder approval obtained in November 2025 for the second tranche for Mr. Nicholas Mather's participation in the placement.

Recommencement of Trading

Trading in Lakes' securities was reinstated on the Australian Securities Exchange on 4 July 2025, following receipt of Ministerial consent to drill the Wombat-5 well and completion of the June placement.

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Directors' report
31 December 2025

General Meeting

The Company held a General Meeting on 30 July 2025. All resolutions were passed by way of poll. Resolutions approved included ratification of prior placement shares, approval for the issue of the second tranche of placement shares, approval for the issue of shares to directors, and adoption of the Employee Incentive Plan, including related option grants.

Annual General Meeting

The Company held its Annual General Meeting on 25 November 2025. All resolutions were passed by way of poll. Matters approved included adoption of the Remuneration Report, re-election of Mr. Roland Sleeman as a Director, ratification of prior placement shares, approval for the issue of shares to Nicholas Mather, and approval for additional share placement capacity.

Employee Incentive Plan

At the Extraordinary General Meeting held on 30 July 2025, shareholders approved adoption of the Company's Employee Incentive Plan and the issue of up to 5 million securities under the Plan over a three-year period.

The Plan provides a framework for equity-based remuneration for directors, employees and contractors. Shareholders also approved the grant of options to certain directors under the Plan, exercisable at \$1.50 per share and expiring three years from the date of issue.

Significant changes in the state of affairs

There were no other significant changes in the state of affairs of the Group during the financial half-year.

Matters subsequent to the end of the financial half-year

Post half-year end, production testing commenced at Wombat-5 following installation and integrity verification of the testing configuration. The program is assessing gas flow rates, reservoir characteristics and deliverability from the Strzelecki Formation intervals intersected during drilling, with results to inform the Company's assessment of resource recoverability and development parameters. Based on the drilling outcomes and gas shows encountered across the horizontal section, the Company remains encouraged by progress and considers Wombat-5 a significant step toward commercial evaluation of the Wombat Gas Field.

On 21 January 2026, it was announced that the Company had appointed Michael McGowan as General Manager of Operations.

No other matter or circumstance has arisen since 31 December 2025 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Proceedings on behalf of the company

Lakes Blue Energy is in formal legal dispute processes with two of the major suppliers relating to the Wombat 5 well, which was completed in September 2025. The suppliers are unrelated to each other. Both disputes relate to the recovery of costs incurred due to the loss of equipment and or payments for services provided during the drilling programme. The estimated total quantum in dispute is approximately \$3.4m.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Roland Sleeman
Non-Executive Chairman

16 March 2026

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the directors of Lakes Blue Energy NL

As lead auditor for the review of Lakes Blue Energy NL for the half-year ended 31 December 2025, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Lakes Blue Energy NL and the entities it controlled during the half-year.

William Buck

William Buck Audit (Vic) Pty Ltd

ABN 59 116 151 136



N. S. Benbow

Director

Melbourne, 16 March 2026

Lakes Blue Energy NL
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2025

		Consolidated	
	Note	31 December 2025	31 December 2024
		\$	\$
Revenue			
Interest income		5,056	5,515
Other income	4	350,000	250,000
Expenses			
Exploration expense	8	(1,094,438)	(3,894)
Bad debts expense		-	(42,778)
Employee benefits expense		(197,217)	(177,088)
Depreciation expense		(787)	(986)
Impairment expense	6	(109,973)	-
Accounting and audit expense		(110,784)	(90,000)
Administrative expenditure		(655,850)	(303,167)
Consulting expense		(283,404)	(102,553)
Share based payments expense	10	(2,466,443)	-
Finance costs		(23,519)	(11,791)
Marketing		(15,106)	-
Rent and occupancy expense		(17,387)	(22,800)
Loss before income tax expense		(4,619,852)	(499,542)
Income tax expense		-	-
Loss after income tax expense for the half-year		(4,619,852)	(499,542)
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		5,184	(10,658)
Other comprehensive income/(loss) for the half-year, net of tax		5,184	(10,658)
Total comprehensive loss for the half-year		(4,614,668)	(510,200)
Loss for the half-year is attributable to:			
Non-controlling interest		(8,652)	(252)
Owners of Lakes Blue Energy NL		(4,611,200)	(499,290)
		(4,619,852)	(499,542)
Total comprehensive loss for the half-year is attributable to:			
Non-controlling interest		(8,316)	(252)
Owners of Lakes Blue Energy NL		(4,606,352)	(509,948)
		(4,614,668)	(510,200)
		Cents	Cents
Basic loss per share		(6.56)	(0.85)
Diluted earnings per share		(6.56)	(0.85)

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

Lakes Blue Energy NL
Statement of financial position
As at 31 December 2025

		Consolidated	
	Note	31 December	30 June 2025
		2025	2025
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		5,659,420	2,628,783
Trade and other receivables	5	23,502	232,019
Prepayments		86,466	49,074
Total current assets		<u>5,769,388</u>	<u>2,909,876</u>
Non-current assets			
Property, plant and equipment		675,512	676,445
Exploration and evaluation	6	22,540,033	14,081,194
Security deposits		1,414,700	450,416
Prepayments		-	1,721,999
Total non-current assets		<u>24,630,245</u>	<u>16,930,054</u>
Total assets		<u>30,399,633</u>	<u>19,839,930</u>
Liabilities			
Current liabilities			
Trade and other payables	8	2,423,644	1,847,488
Provisions		574,039	556,822
Total current liabilities		<u>2,997,683</u>	<u>2,404,310</u>
Total liabilities		<u>2,997,683</u>	<u>2,404,310</u>
Net assets		<u>27,401,950</u>	<u>17,435,620</u>
Equity			
Contributed equity	9	165,450,507	153,335,952
Reserves		2,350,322	(121,305)
Accumulated losses		(140,466,359)	(135,855,159)
Equity attributable to the owners of Lakes Blue Energy NL		27,334,470	17,359,488
Non-controlling interest		67,480	76,132
Total equity		<u>27,401,950</u>	<u>17,435,620</u>

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

Lakes Blue Energy NL
Statement of changes in equity
For the half-year ended 31 December 2025

Consolidated	Contributed equity \$	Reserves \$	Accumulated losses \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2024	153,323,030	(94,187)	(139,603,702)	78,429	13,703,570
Loss after income tax expense for the half-year	-	-	(499,290)	(252)	(499,542)
Other comprehensive loss for the half-year, net of tax	-	(10,658)	-	-	(10,658)
Total comprehensive loss for the half-year	-	(10,658)	(499,290)	(252)	(510,200)
Balance at 31 December 2024	<u>153,323,030</u>	<u>(104,845)</u>	<u>(140,102,992)</u>	<u>78,177</u>	<u>13,193,370</u>

Consolidated	Contributed equity \$	Reserves \$	Accumulated losses \$	Non-controlling interest \$	Total equity \$
Balance at 1 July 2025	153,335,952	(121,305)	(135,855,159)	76,132	17,435,620
Loss after income tax expense for the half-year	-	-	(4,611,200)	(8,652)	(4,619,852)
Other comprehensive income for the half-year, net of tax	-	5,184	-	-	5,184
Total comprehensive income/(loss) for the half-year	-	5,184	(4,611,200)	(8,652)	(4,614,668)
<i>Transactions with owners in their capacity as owners:</i>					
Contributions of equity, net of transaction costs (note 9)	12,114,555	-	-	-	12,114,555
Vesting of share-based payments (note 10)	-	2,466,443	-	-	2,466,443
Balance at 31 December 2025	<u>165,450,507</u>	<u>2,350,322</u>	<u>(140,466,359)</u>	<u>67,480</u>	<u>27,401,950</u>

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

Lakes Blue Energy NL
Statement of cash flows
For the half-year ended 31 December 2025

		Consolidated	
	Note	31 December 2025	31 December 2024
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees (inclusive of GST)		(1,266,520)	(1,358,639)
Interest received		4,734	4,247
Other revenue		5,390	-
		<u> </u>	<u> </u>
Net cash used in operating activities		<u>(1,256,396)</u>	<u>(1,354,392)</u>
Cash flows from investing activities			
Payments for exploration and evaluation	6	(6,648,642)	(316,930)
Payments for tenement bonds		(898,500)	-
Proceeds from disposal of tenements		350,000	-
Proceeds from disposal of investments		-	3,000,000
		<u> </u>	<u> </u>
Net cash from/(used in) investing activities		<u>(7,197,142)</u>	<u>2,683,070</u>
Cash flows from financing activities			
Proceeds from issue of shares	9	12,297,751	-
Share issue transaction costs		(813,818)	-
		<u> </u>	<u> </u>
Net cash from financing activities		<u>11,483,933</u>	<u>-</u>
Net increase in cash and cash equivalents		3,030,395	1,328,678
Cash and cash equivalents at the beginning of the financial half-year		<u>2,629,025</u>	<u>202,383</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>5,659,420</u></u>	<u><u>1,531,061</u></u>

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

Lakes Blue Energy NL
Notes to the financial statements
31 December 2025

Note 1. General information

The financial statements cover Lakes Blue Energy NL as a Group consisting of Lakes Blue Energy NL and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Lakes Blue Energy NL's functional and presentation currency.

Lakes Blue Energy NL is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

24-26 Kent Street
Millers Point NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 16 March 2026.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2025 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2025 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The financial statements have been prepared 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.

During the half year period ended 31 December 2025, the Group incurred an operating loss after income tax of \$4,619,852, cash outflows from operating activities of \$1,256,396, and cash outflows from investing activities of \$7,197,142.

These factors indicate a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Subsequent events

As at the date of signing these financial statements, the entity's excess of current assets relative to current liabilities has decreased. This has been influenced by the following:

- The commencement of production testing at Wombat-5, and reduction in cash resources as a result of pay down of trade creditors.
- No cash receipts received post period end.

Lakes Blue Energy NL
Notes to the financial statements
31 December 2025

Note 2. Material accounting policy information (continued)

Expected capital raising activities

The forecast includes proceeds from expected capital raising activities. The directors of the entity believe that such capital raising activities will eventuate based upon the entity's track record of successfully issuing capital. As at the date of this report, the entity's market capitalisation, at \$75.5m trades at a surplus of \$50.3m relative to its recorded book value of net assets and its share capital account.

Trade payables in dispute and contingent liabilities

Lakes Blue Energy is currently in formal legal dispute processes with two of the major suppliers relating to the Wombat 5 well. The estimated total quantum in dispute is \$3.4m, of which \$1.1m is reflected in trade and other payables in the accounts presented in this report.

The Group's cash flow forecast only considers payment of the amounts recognised in trade creditors. For further commentary, refer to Note 11, *Contingent assets and liabilities*.

Flexing of operational and exploration activities

For the period ended 31 December 2025, the entity incurred \$6,648,642 in exploration and evaluation expenditure. The entity undertakes exploration and evaluation activities only when it has sufficient working capital. Any further planned expenditure would only give rise to a risk of loss of the area of interest should the minimum expenditure commitments under the relevant tenements not be met. Based on previous experience, the directors consider the likelihood of this occurring to be low. Should additional capital not be raised as anticipated, the directors have identified a number of operational costs that could be curtailed. In addition, they have indicated their willingness to increase the equity-based component of their remuneration in lieu of cash payments in order to assist in preserving the entity's cash resources. These arrangements have been taken into consideration in the directors' assessment of the entity's ability to continue as a going concern.

The Directors have concluded that the going concern basis is appropriate, based on analysis of the consolidated entity's existing cash reserves and internal cash flow forecasts which include their current estimate of future financial commitments and other cash flows over the next 12 months.

Note 3. Operating segments

Identification of reportable operating segments

The Consolidated Entity operates in one industry being exploration for oil and gas reserves, principally in Australian on-shore (Victoria, South Australia and Queensland) and Papua New Guinea (PNG). Currently the consolidated entity does not generate any revenues from contracts with customers and only incurs expenses on operations and exploration activities, and does not report on a geographical basis given there is an immaterial amount of expenditure overseas. Therefore, the Consolidated Entity does not prepare operating segment reports, rather operational results are reviewed collectively for the group.

Note 4. Other income

	Consolidated	
	31 December	31 December
	2025	2024
	\$	\$
Gain on disposal of tenements*	350,000	-
Reversal of provision for royalties payable	-	250,000
	<u>350,000</u>	<u>250,000</u>

Lakes Blue Energy NL
Notes to the financial statements
31 December 2025

Note 4. Other income (continued)

* In May 2024, the Group entered into an agreement with Gehyra Exploration Pty Ltd, a wholly owned subsidiary of Gehyra Flux Pty Ltd, to transfer full ownership of Lakes' South Australian Petroleum Exploration Licence Applications (PELAs), located in the South Australian Arrowie Basin. Under the agreement, the following payments were made:

- \$150,000 in May 2024
- \$350,000 in November 2025

A further \$1 million will be payable on announcement of the first continuous commercial production of helium or petroleum from any of the PELs.

Gehyra will pay to Lakes royalties of 2.5% on any production of either helium or hydrogen and a royalty of 3.5% on any production of petroleum from the PELs.

The final \$1 million payment and royalties have not been recognised at period end given they are contingent on uncertain future outcomes, and as such cannot yet be reasonably expected to be received. Therefore, Lakes will recognise the amounts once the outcomes are known and confirmed, or upon receipt.

Note 5. Trade and other receivables

	Consolidated	
	31 December	30 June 2025
	2025	2025
	\$	\$
<i>Current assets</i>		
Trade and other receivables	800	46,687
Rental deposit	4,813	4,813
GST receivable	17,889	180,519
	<u>23,502</u>	<u>232,019</u>

Note 6. Exploration and evaluation

During the period a total of \$8,568,812 was incurred in expenditure capitalised to exploration and evaluation tenements.

Exploration expenditure during the period include drill planning, drilling programmes, well testing, and other qualifying expenses incurred in relation to the following tenements:

- PRL 2 – Gippsland Basin, Vic. (Lakes Blue Energy: Operator, 100% interest)
- PRL 249 – Otway Basin, SA. (Lakes Blue Energy: Operator, 50% interest)

The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective permit areas.

During the period, the directors determined that the carrying value of PPL 560, based in Papua New Guinea, should be fully impaired as expectations of further development and expenditure are limited, and as a result an impairment expense of \$109,973 was recorded.

Note 7. Security deposits

	Consolidated	
	31 December	30 June 2025
	2025	2025
	\$	\$
<i>Non-current assets</i>		
Security deposits	<u>1,414,700</u>	<u>450,416</u>

Lakes Blue Energy NL
Notes to the financial statements
31 December 2025

Note 7. Security deposits (continued)

During the period, a bank guarantee was obtained in the amount of \$898,500 for rehabilitation bonds for retention lease PRL2.

Other movements in security deposits reflect a reclassification of \$70,500 from current to non-current assets, and foreign exchange adjustments on deposits held in Papua New Guinea.

Note 8. Trade and other payables

	Consolidated	
	31 December	30 June 2025
	2025	2025
	\$	\$
<i>Current liabilities</i>		
Trade payables	1,041,924	1,046,679
Amounts due to related parties	234,287	771,467
Trade payables in dispute*	1,096,237	-
Other payables	51,196	29,342
	<u>2,423,644</u>	<u>1,847,488</u>

* Lakes Blue Energy is in formal legal dispute processes with two of the major suppliers relating to the Wombat 5 well, which was completed in September 2025. The suppliers are unrelated to each other. Both disputes relate to the recovery of costs incurred due to the loss of equipment and or payments for services provided during the drilling programme. The total amount of trade creditors in dispute at period end was \$1,096,237 (inclusive of GST). These amounts form the majority of the Exploration Expense for the period (being \$996,579, net of GST) and are not capitalised as Exploration and Evaluation Assets given the uncertainty of the final outcome. Additional amounts under dispute are detailed in Note 11: *Contingent Liabilities*. Appropriate adjustments will be recognised upon resolution of the dispute.

Note 9. Contributed equity

	Consolidated			
	31 December	30 June 2025	31 December	30 June 2025
	2025	2025	2025	2025
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>73,325,883</u>	<u>58,770,705</u>	<u>165,450,507</u>	<u>153,335,952</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2025	58,770,705		153,335,952
Ordinary Shares	7 July 2025	7,993,667	\$0.75	5,995,250
Ordinary Shares - Investors	5 August 2025	670,000	\$0.75	502,500
Ordinary Shares - Directors	5 August 2025	848,032	\$0.75	636,024
Ordinary Shares	22 September 2025	4,608,696	\$1.15	5,300,000
Ordinary Shares	22 December 2025	434,783	\$1.15	500,000
Cost of issuing capital		-	\$0.00	(819,219)
Balance	31 December 2025	<u>73,325,883</u>		<u>165,450,507</u>

Note 10. Share-based payments (continued)

Note 10. Share-based payments

Options issued in the period

On 5 August 2025, the company issued 3,950,000 options to Directors following shareholder approval at an Extraordinary General Meeting held on 30 July 2025. The options are exercisable at \$1.50 each and expires 3 years from date of issues.

The options were valued at \$0.6244 per option using the binomial method for options valuation, with the following metrics:

- Grant date: 30 July 2025
- Exercise price: \$1.50
- Stock price on grant date: \$1.16
- Volatility: 91.5%
- Risk Free rate: 3.39%
- Dividend Yield: \$NIL
- Vesting period: vests on issue

A share-based payments expense of \$2,466,443 was recognised in the period.

Note 11. Contingent assets and liabilities

The consolidated entity holds \$1,344,200 in cash on deposit in-respect of its tenement interests, which are held as guarantee in-respect of any future possible restoration or rehabilitation costs.

The consolidated entity is entitled to a royalty on net (withheld) revenue from any sales of petroleum from ADZ's existing 51% share of PEP 169.

No royalty asset has been recognised for future sales of petroleum on PEP 169, as the quantum of future royalty payments is uncertain at this time.

Lakes Blue Energy is in formal legal dispute processes with two of the major suppliers relating to the Wombat 5 well, which was completed in September 2025. The suppliers are unrelated to each other. Both disputes relate to the recovery of costs incurred due to the loss of equipment and or payments for services provided during the drilling programme. The estimated total quantum in dispute is approximately \$3.4m of which \$1.1m is reflected in trade and other payables at period end. The directors, acting in consultation with their legal counsel, consider that there are defences to these claims, plus set offs and counter claims available, such that the total of the claims made are not accrued for in these financial statements as they are not considered probable.

Note 12. Events after the reporting period

Post half-year end, production testing commenced at Wombat-5 following installation and integrity verification of the testing configuration. The program is assessing gas flow rates, reservoir characteristics and deliverability from the Strzelecki Formation intervals intersected during drilling, with results to inform the Company's assessment of resource recoverability and development parameters. Based on the drilling outcomes and gas shows encountered across the horizontal section, the Company remains encouraged by progress and considers Wombat-5 a significant step toward commercial evaluation of the Wombat Gas Field.

On 21 January 2026, it was announced that the Company had appointed Michael McGowan as General Manager of Operations.

No other matter or circumstance has arisen since 31 December 2025 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Lakes Blue Energy NL
Directors' declaration
31 December 2025

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2025 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Roland Sleeman
Non-Executive Chairman

16 March 2026

Independent auditor's review report to the members of Lakes Blue Energy NL

Report on the half-year financial report



Our conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Lakes Blue Energy NL (the Company), and its controlled entities (together, the Group) does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the Group's financial position as at 31 December 2025 and of its financial performance for the half-year then ended; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

What was reviewed?

We have reviewed the accompanying half-year financial report of the Group, which comprises:

- the consolidated statement of financial position as at 31 December 2025,
- the consolidated statement of profit or loss and other comprehensive income for the half-year then ended,
- the consolidated statement of changes in equity for the half-year then ended,
- the consolidated statement of cash flows for the half-year then ended,
- notes to the financial statements, including material accounting policy information, and
- the directors' declaration.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's responsibilities for the review of the financial report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 2 in the half-year financial report, which indicates that the Group incurred a net loss of \$4,619,852, net cash outflow from operating activities of \$1,256,396 and net outflow from investing activities of \$7,197,142 during the half-year ended 31 December 2025. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibilities of the directors for the 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 responsibilities for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2024 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*.

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.

William Buck

William Buck Audit (Vic) Pty Ltd

ABN 59 116 151 136



N. S. Benbow

Director

Melbourne, 16 March 2026