



Lake Resources NL

ABN 49 079 471 980

Interim Report - 31 December 2016



The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Lake Resources NL (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

DIRECTORS

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

S. Crow (Non-Executive Chairman - appointed 14 November 2016)
S. Promnitz (Managing Director - appointed 14 November 2016)
P.J. Gilchrist
R Johnston (resigned 14 November 2016)
J.G. Clavarino (resigned 14 November 2016)

Andrew Bursill became Company Secretary on 14 November 2016. Mr Bursill currently holds the position of Company Secretary for a number of publicly listed companies and has experience in accounting, administration, capital raisings and ASX compliance and regulatory requirements. The company secretary was Peter Gilchrist until 14 November 2016.

PRINCIPAL ACTIVITIES

The principal activities of the entities within Lake Resources NL (Lake) are:

- Exploration and development of lithium brine projects and lithium hard rock projects
- Exploration for minerals.

During the year ended 31 December 2016, Lake completed the acquisition of unlisted company LithNRG Pty Ltd, that controls two Argentine subsidiaries with lithium brine projects in Argentina.

REVIEW OF OPERATIONS

The loss for the consolidated entity after providing for income tax amounted to \$653,390 (31 December 2015: \$39,067).

Corporate

The Company announced in 25 May 2016 an agreement to acquire the unlisted company LithNRG Pty Ltd, with exciting lithium brine projects in three large packages of tenement applications (over 90,000 Ha) around salt lakes in North West Argentina. The property portfolio has been established over a ten month period, mostly prior to the recent 'rush' by majors into Argentina due to its proven prospectivity and recently improved foreign investment climate.

On 4 October 2016, the shareholders approved the acquisition of Lith NRG Pty Ltd for the staged issue of shares and options under the terms detailed in the Notice of Annual General Meeting and Explanatory Statement released on 1 September 2016. The transaction was completed on 14 November 2016 after subsequent final due diligence and documentation was completed and finalised.

Lake controls 100% the subsidiary LithNRG Pty Ltd with its Argentine subsidiaries, Minerales Australes SA and Morena del Valle Minerals SA.

Securities comprised of 50 million shares, with 25 million attached options (at \$0.05, 18 month's expiry) were issued as vendor consideration for the acquisition, together with three tranches of performance rights (50 million in total) with attached options (25 million at \$0.05, 18 month's expiry) which vest upon completion of three future milestones. Two million shares were issued as consideration for the interest payment on a loan provided to LithNRG Pty Ltd. A committed placement of \$0.5 million (25 million shares at \$0.02) was part of the transaction announced in May 2016 at a significant premium to the share price at the time. This placement was approved by shareholders and shares were issued at the same time as closure of the transaction. Details of the share issuance, placement, vendor consideration and use of funds was contained in the Notice of 1 September 2016, approved under Resolutions 3,4,5 and 11 by shareholders on 4 October 2016. A further capital raising of \$1.05 million (16 million shares at \$0.065) by way of a private placement was completed on 20 December 2016.

Operations

Argentina

Kachi Lithium Brine Project - Catamarca Province, Argentina

An aggressive exploration programme commenced over lithium brine lease applications in the Kachi Lithium Brine Project in Catamarca province, Argentina.



The initial surface auger sampling programme, commenced in late 2016 and was completed in February 2017. The auger brine sampling programme was conducted on lines approximately 1km apart over the salt lakes within the current Lake leases. Initial results were encouraging, released in February 2017 up to 322 mg/L Lithium.

The Kachi Lithium Brine Project is composed of almost 50,000 Ha of mining leases either granted or under application held 100% by Lake's local subsidiaries. Leases have been granted to allow exploration over 9000 hectares. An additional 3,900 hectares of leases have recently been acquired contiguous to the area of active exploration. A series of adjoining leases are anticipated for similar granting soon.

The Kachi Lithium Brine Project is located in Catamarca province, approximately 100km south of FMC's Hombre Muerto Lithium brine operation in production. The Project overlies an area of leases and lease applications centred around a salt lake within a large basin almost 100km long. This area has been recently recognised as a potential lithium brine bearing basin.

The largest company in the lithium sector, Albemarle Ltd, recently secured leases over the basin immediately to the west of the area. Other companies have recently completed geophysics surveys over leases adjacent to Lake's leases and are planning to drill targets soon.

Olaroz/Cauchari & Paso Lithium Brine Projects - Jujuy Province, Argentina

Lake holds mining lease applications over almost 45,000 hectares in two areas in Jujuy Province, in NW Argentina.

The leases cover areas in and around Orocobre Limited, currently in production, and Lithium Americas Corporation, currently developing a project with the major lithium producer SQM, in the Cauchari/Olaroz basin in Jujuy Province, Argentina. Although data is limited within the properties, the tenements may cover potential extensions to the Cauchari/Olaroz projects with potential extensions to aquifers.

Most of the area was reapplied for in November when a moratorium was lifted. The initial applications from March 2016 are under an appeal process. The application process is anticipated to progress in early 2017. Leases/applications are held 100% through Lake's local subsidiaries.

Exploration will commence as soon as access is available to the areas. Substantial ground geophysics and drilling has been completed in the surrounding leases at Olaroz/Cauchari.

Corporate activity in the area adjacent to Lake's leases has been substantial. Lithium Americas Corporation announced an equity investment of C\$106 million, from Gangfeng, an important Chinese producer, and BCP Innovation. Both Chinese investors will also provide US\$205 million in a debt facility with offtake commitments, sufficient to develop Lithium Americas share in the Stage 1 production from Olaroz/Cauchari. Advantage Lithium Corporation announced a transaction to earn 65-75% equity in some of Orocobre's leases, including their Cauchari Project, raising US\$20 million in the market.

Pakistan Copper/Gold

Lake holds an interest in a copper-gold project, the Chagai Project, in Pakistan. The Chagai Project is situated in the Tethyan magmatic arc, which extends from Turkey, through Iran into Pakistan and hosts a number of world-class copper gold deposits including the Saindak copper-gold mine and the giant Reko Diq copper-gold deposits.

Colt Resources Middle East (CRME) and Aamir Resources Consultants, CMRE can earn a majority interest in the Chagai project through exploration expenditure of US\$1.9 million by 2018. Lake Resources 27.5% interest in Chagai Resources (Pvt) Limited, a Pakistan incorporated operating entity, is held through a wholly owned Pakistan incorporated subsidiary, Lake Mining Pakistan (Pvt) Limited. During the half year under review, no significant exploration activities were undertaken by Chagai Resources pending approval of government security clearances for key personnel.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 14 November 2016, Lake announced it had completed the acquisition of 100% of LithNRG Pty Ltd and the mining leases and applications over potential lithium brine projects in Argentina. Equity in Lake (shares and options) had been issued in consideration together with future tranches on completion of certain milestones.

Equity was raised via private placement at completion (\$0.5 million) and in December (\$1.05 million) to assist the exploration campaign in Argentina, retire debt in LithNRG Pty Ltd and for working capital requirements and corporate costs associated with the transaction.

The configuration and skill sets of the board were adjusted to reflect the change in focus to lithium in South America.



MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL HALF-YEAR

On the 27 February 2017 the Company issued 26,000,000 new Ordinary Shares in Lake ("LKE") as follows;

- (1) 24,000,000 at \$0.05 per share to sophisticated and professional investors, to raise \$1,200,000 before costs;
- (2) 1,000,000 were issued in lieu of cash fees to service providers; and
- (3) 1,000,000 were issued to Petra Energy SA (see below for details).

The Company also issued 19,350,000 new Listed Options in LKE with an exercise price of \$0.10 and an 18-month expiry period as follows:

- (1) 12,000,000 to the same sophisticated and professional investors participating in the placement as noted above; and
- (2) 7,350,000 were issued as part of the fees to intermediaries, financial arrangers and other service providers.

The Company announced that it had issued the first tranche of 1,000,000 LKE shares to Petra Energy SA as part of an option agreement, to be fully paid in LKE script, over a large block of approximately 72,000 Ha of exploration and some mining leases and applications over potential lithium bearing pegmatites and pegmatite swarms. The lithium pegmatites are part of a newly recognised 150km long belt of pegmatite swarms at low altitudes (300-800m) in Ancasti, Catamarca province, which has good year-round access.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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

A handwritten signature in black ink, appearing to read 'Steve Promnitz', written over a horizontal line.

Steve Promnitz
Managing Director

16 March 2017

Auditor's Independence Declaration under section 307C of the *Corporations Act 2001*

To the Board of Directors of Lake Resources NL

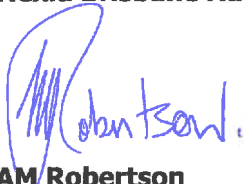
I declare that to the best of my knowledge and belief, during the half year ended 31 December 2016, there have been no contraventions of:

- (a) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

This declaration is in respect of Lake Resources NL and the entities it controlled during the period.

Nexia Brisbane Audit Pty Ltd

Nexia Brisbane Audit Pty Ltd



AM Robertson
Director

Date: 16 March 2017



Lake Resources NL
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General information

The financial statements cover Lake Resources NL as a consolidated entity consisting of Lake Resources 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 Lake Resources NL's functional and presentation currency.

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

Registered office

Suite 4, 341 George Street
Sydney, NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 16 March 2017.

Lake Resources NL
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016



	Note	Consolidated	
		31/12/2016	31/12/2015
		\$	\$
Expenses			
Employee benefits expense		(41,666)	-
Consultancy and legal costs		(68,299)	-
Administration costs		(18,944)	(9,533)
Exploration expenditure expensed		-	(607)
Corporate costs		(56,981)	(28,927)
Share based payments	11	(467,500)	-
Loss before income tax expense		(653,390)	(39,067)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Lake Resources NL		(653,390)	(39,067)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Lake Resources NL		(653,390)	(39,067)
		Cents	Cents
Basic earnings per share	10	(0.56)	(0.04)
Diluted earnings per share	10	(0.56)	(0.04)

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

Lake Resources NL
Statement of financial position
As at 31 December 2016



	Note	Consolidated 31/12/2016 \$	30/06/2016 \$
Assets			
Current assets			
Cash and cash equivalents		1,160,305	74,210
Trade and other receivables		31,939	-
Other assets		6,867	1,070
Total current assets		<u>1,199,111</u>	<u>75,280</u>
Non-current assets			
Investments accounted for using the equity method		35	35
Exploration and evaluation	4	1,399,888	-
Total non-current assets		<u>1,399,923</u>	<u>35</u>
Total assets		<u>2,599,034</u>	<u>75,315</u>
Liabilities			
Current liabilities			
Trade and other payables		77,203	7,284
Total current liabilities		<u>77,203</u>	<u>7,284</u>
Total liabilities		<u>77,203</u>	<u>7,284</u>
Net assets		<u>2,521,831</u>	<u>68,031</u>
Equity			
Issued capital	5	12,043,620	8,946,465
Reserves	6	15,032	4,997
Accumulated losses		<u>(9,536,821)</u>	<u>(8,883,431)</u>
Total equity		<u>2,521,831</u>	<u>68,031</u>

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

Lake Resources NL
Statement of changes in equity
For the half-year ended 31 December 2016



Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2015	8,946,465	4,997	(8,841,749)	109,713
Loss after income tax expense for the half-year	-	-	(39,067)	(39,067)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(39,067)	(39,067)
Balance at 31 December 2015	<u>8,946,465</u>	<u>4,997</u>	<u>(8,880,816)</u>	<u>70,646</u>
	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2016	8,946,465	4,997	(8,883,431)	68,031
Loss after income tax expense for the half-year	-	-	(653,390)	(653,390)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(653,390)	(653,390)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 5)	2,629,655	-	-	2,629,655
Share-based payments (note 11)	467,500	8,634	-	476,134
Issue of options to vendors of LithNRG (note 3)	-	1,401	-	1,401
Balance at 31 December 2016	<u>12,043,620</u>	<u>15,032</u>	<u>(9,536,821)</u>	<u>2,521,831</u>

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

Lake Resources NL
Statement of cash flows
For the half-year ended 31 December 2016



	Note	Consolidated	
		31/12/2016	31/12/2015
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(128,067)	(45,686)
Net cash used in operating activities		(128,067)	(45,686)
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired		2,535	-
Payments for exploration and evaluation	4	(50,661)	-
Net cash used in investing activities		(48,126)	-
Cash flows from financing activities			
Proceeds from issue of shares	5	1,467,604	-
Share issue transaction costs		(49,316)	-
Repayment of borrowings		(156,000)	-
Net cash from financing activities		1,262,288	-
Net increase/(decrease) in cash and cash equivalents		1,086,095	(45,686)
Cash and cash equivalents at the beginning of the financial half-year		74,210	130,222
Cash and cash equivalents at the end of the financial half-year		<u>1,160,305</u>	<u>84,536</u>

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



Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 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 2016 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 principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Acquisition of subsidiaries and businesses

Acquisition of subsidiaries and businesses are accounted for based on the following accounting methods depending on the nature of the acquisition.

Business combination

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the acquirer, the liabilities assumed by the acquirer to former owners of the acquiree and the equity issued by the acquirer, and the amount of any non-controlling interest in the acquiree.

For each business combination, the acquirer measures the non-controlling interest in the acquiree at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured at fair value as at the acquisition date through profit or loss.

Acquisition from entities under common control

Transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group's equity. Any cash paid for the acquisition is recognised as an investment cost.

Acquisition of subsidiaries deemed not carrying a business

The acquisition of subsidiaries that are deemed not to be carrying on a business, and do not meet the conditions of AASB 3, are recognised at cost and are treated as asset acquisitions depending on the nature of the assets acquired from the subsidiaries.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity 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.



Note 1. Significant accounting policies (continued)

Going concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The consolidated entity has incurred net losses after tax of \$653,390 (2015: \$39,067) and net cash outflows from operating and investing activities of \$176,193 (2015: \$45,686) for the period ended 31 December 2016. For the reasons described below, conditions exist that indicate there is a material uncertainty as to the consolidated entity's ability to continue as a going concern.

The directors have prepared cash flow forecasts which indicate that the current cash resources will not be sufficient to fund planned exploration expenditure, other principal activities and working capital requirements without the sale of non-core assets and/or capital raising. Notwithstanding that the entity has successfully carried a capital raising in February 2017, the consolidated entity will be required to realise through the sale of non-core assets or capital raising to fund its current operations through to 31 March 2018. The consolidated entity is reviewing various capital raising opportunities to meet its capital requirements.

Based on the cash flow forecasts and achieving all or some funding, the directors are confident that the consolidated entity will be able to fund its activities as mentioned above and hence the entity will be able to continue as a going concern.

Should the consolidated entity be unable to raise capital or realise the sale of non-core assets, there is a material uncertainty whether the consolidated entity will be able to continue as a going concern and therefore, whether it will be able to realise its assets and discharge its liabilities in the normal course of business. The financial report does not include adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into one operating segment being exploration activity with interests located in Argentina, Pakistan and corporate operations in Australia. Accordingly, the information provided to the Board of Directors is prepared using the same measure used in preparing the financial statements.

The information reported to the CODM ("Chief Operating Decision Maker") comprises mainly direct exploration expenditure in assessing performance and allocation of resources and as such no segment result or segment revenues are disclosed. All the company's non-current assets (including exploration assets) are primarily held in Argentina.

The information reported to the CODM is on a monthly basis.

Note 3. Acquisition of Lith NRG Pty Ltd

On 14 November 2016, the Company acquired 100% interest in LithNRG Pty Ltd ('LithNRG') for a consideration of 50,000,000 ordinary shares with 25,000,000 attached options and 50,000,000 performance shares with 25,000,000 attached options. This transaction has been accounted for as a share-based payment under AASB 2 Share-Based Payments. As Lake Resources NL controls LithNRG, the Company is required to consolidate the entity in the financial statements.

Details of the purchase consideration for the net assets acquired are as follows:

	\$
50,000,000 fully paid ordinary shares	550,000
50,000,000 performance shares	550,000
50,000,000 options exercisable at \$0.05, 18-months expiry	1,401
Total purchase consideration	<u><u>1,101,401</u></u>



Note 3. Acquisition of Lith NRG Pty Ltd (continued)

The identifiable assets and liabilities of LithNRG Pty Ltd as follows:

	\$
Cash and cash equivalent	2,535
Other current assets	13,939
Exploration and evaluation assets	1,349,227
Trade and other payables	(6,300)
Borrowings – related party	(258,000)
Net asset acquired	<u><u>1,101,401</u></u>

The performance shares and options issued were subject to the following performance criteria:

Tranche 1 – 25,000,000 performance shares and 12,500,000 Class B options – the vesting of Tranche 1 was conditional upon completion of Capital Raising within 3 months with issue of 40,000,000 shares under a placement and minimum \$2 million being raised.

Tranche 2 – 12,500,000 performance shares and 6,250,000 Class C options – the vesting of Tranche 2 was conditional upon approvals or consents being granted by the relevant Argentinian regulatory and/or governmental bodies as are necessary to permit Non-invasive Exploration to be undertaken or occur at least 50% (by number) of the Tenement Applications in Catamarca Province. This must occur within 5 years after the date of the Annual General Meeting in 2016.

Tranche 3 – 12,500,000 performance shares and 6,250,000 Class D options – the vesting of Tranche 3 was conditional upon approvals or consents being granted by the relevant Argentinian regulatory and/or governmental bodies as are necessary to permit Non-invasive Exploration to be undertaken or occur at least 50% (by number) of the Tenement Applications in Jujuy Province. This must occur within 5 years after the date of the Annual General Meeting in 2016.

The shares, performance shares and options are valued using Lake's share price as at 24 May 2016 being the share price prior to the announcement of the LithNRG acquisition being made.

Note 4. Non-current assets - exploration and evaluation

	Consolidated	
	31/12/2016	30/06/2016
	\$	\$
Exploration and evaluation expenditure - at cost	<u>1,399,888</u>	<u>-</u>

Reconciliations

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

Consolidated	Argentina \$	Total \$
Balance at 1 July 2016	-	-
Additions - direct exploration costs	50,661	50,661
Additions through acquisition of subsidiary	1,349,227	1,349,227
Balance at 31 December 2016	<u>1,399,888</u>	<u>1,399,888</u>



Note 5. Equity - issued capital

	Consolidated			
	31/12/2016 No. of Share	30/06/2016 No. of Share	31/12/2016 \$	30/06/2016 \$
Ordinary shares - fully paid (a)	188,993,026	95,876,034	11,026,120	8,946,465
Performance shares (b)	58,500,000	-	1,017,500	-
	<u>247,493,026</u>	<u>95,876,034</u>	<u>12,043,620</u>	<u>8,946,465</u>

(a) *Movements in ordinary share capital*

Details	Date	No. of Shares	\$
Balance	1 July 2016	95,876,034	8,946,465
Capital raising	14 November 2016	25,000,000	500,000
Issue of shares - vendors of Lith NRG Pty Ltd	14 November 2016	50,000,000	550,000
Issue of shares - loan providers of Lith NRG Pty Ltd	14 November 2016	2,000,000	40,000
Capital raising	21 December 2016	16,116,992	1,047,604
Capital raising costs		-	(57,949)
Balance	31 December 2016	<u>188,993,026</u>	<u>11,026,120</u>

(b) *Movements in performance shares*

Details	Date	No. of Shares	\$
Balance	1 July 2016	-	-
Issue to vendors of LithNRG Pty Ltd	14 November 2016	50,000,000	550,000
Issue to directors under LTI Plan	14 November 2016	8,500,000	467,500
Balance	31 December 2016	<u>58,500,000</u>	<u>1,017,500</u>

Ordinary shares

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

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

Share buy-back

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

(c) *Options*

Details	Date	No. of Option
Balance	1 July 2016	-
Issue to vendors of LithNRG Pty Ltd – issued as part of the issue of shares	14 November 2016	25,000,000
Issue to vendors of LithNRG Pty Ltd – issued as part of the issue of performance shares	14 November 2016	25,000,000
Issue for services relating to capital raising	21 December 2016	1,539,250
Balance	31 December 2016	<u>51,539,250</u>



Note 6. Equity – reserves

	Consolidated	
	31/12/2016	30/06/2016
	\$	\$
Capital profits reserve	4,997	4,997
Share based payments reserve	10,035	-
	<u>15,032</u>	<u>4,997</u>

Capital profits reserve

The capital profits reserve records non-taxable profits on sale of investments.

Share based payments reserve

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

Note 7. Equity - dividends

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

Note 8. Related party transactions

Interests in subsidiaries

Name	Principal place of business / Country of incorporation	Ownership interest	
		31/12/2016 %	30/06/2016 %
Lake Mining Pakistan (Pvt) Limited	Pakistan	100%	100%
LithNRG Pty Ltd	Australia	100%	-
Minerales Australes S.A.	Argentina	100%	-
Morena del Valle Minerals S.A.	Argentina	100%	-

Transactions with related parties

The Company's main related parties are the directors (key management personnel) and their related entities. Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Consolidated	
	31/12/2016	31/12/2015
	\$	\$
Payment for goods and services: The Company incurred fees from Salaris Consulting Pty Ltd, a company of which Mr S Crow is a director, for professional services in relation to capital raising.	<u>17,600</u>	<u>-</u>

Note 9. Events after the reporting period

On the 27 February 2017 the Company issued 26,000,000 new Ordinary Shares in Lake ("LKE") as follows;
(1) 24,000,000 at \$0.05 per share to sophisticated and professional investors, to raise \$1,200,000 before costs;
(2) 1,000,000 were issued in lieu of cash fees to service providers; and
(3) 1,000,000 were issued to Petra Energy SA (see below for details).

The Company also issued 19,350,000 new Listed Options in Lake with an exercise price of \$0.10 and an 18-month expiry period as follows:



Note 9. Events after the reporting period (continued)

(1) 12,000,000 to the same sophisticated and professional investors participating in the placement as noted above; and
(2) 7,350,000 were issued as part of the fees to intermediaries, financial arrangers and other service providers.

The Company announced that it had issued the first tranche of 1,000,000 LKE shares to Petra Energy SA as part of an option agreement, to be fully paid in LKE script, over a large block of approximately 72,000 Ha of exploration and some mining leases and applications over potential lithium bearing pegmatites and pegmatite swarms. The lithium pegmatites are part of a newly recognised 150km long belt of pegmatite swarms at low altitudes (300-800m) in Ancasti, Catamarca province, which has good year-round access.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 10. Earnings per share

	Consolidated	
	31/12/2016	31/12/2015
	\$	\$
Loss after income tax attributable to the owners of Lake Resources NL	<u>(653,390)</u>	<u>(39,067)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>116,926,506</u>	<u>95,876,034</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>116,926,506</u>	<u>95,876,034</u>
	Cents	Cents
Basic earnings per share	(0.56)	(0.04)
Diluted earnings per share	(0.56)	(0.04)

Note 11. Share-based payments

On 14 November 2016, the Company acquired 100% interest in LithNRG Pty Ltd ('LithNRG') for a consideration of 50,000,000 ordinary shares with 25,000,000 attached options and 50,000,000 performance shares with 25,000,000 attached options. Refer to Note 3 for further details.

At the 2016 Annual General Meeting, the shareholders of the Company approved the Long Term Incentive (LTI) Plan. The main purpose of the plan is to give incentives to eligible participants (or their nominee) to provide dedicated and ongoing commitment and effort to the Company aligning the interest of both employees and shareholders and for the Company to reward eligible employees for their effort. The LTI Plan contemplates the issue to eligible employees of performance rights which may have milestones.

Under the Plan, the Company allocated 8.5 million performance rights to two Directors, Mr Steve Promnitz (7.5 million) and Mr Stuart Crow (1 million). The performance shares were issued at nil consideration.

Mr Promnitz's performance shares vest on the following performance criteria:

- a) a third vest when initial exploration can commence, triggered by commencement of the first ground based geophysical survey over a minimum of 10 tenement applications;
- b) a third vest when initial drilling can commence, triggered by the commencement of the first drill hole over a minimum of 10 of the tenement applications;



Note 11. Share-based payments (continued)

c) a third vest when the Company's market capitalisation reaches \$22.287 million calculated based on the volume weighted average market price (VWAP) on the ASX over 20 day trading period multiplied by the number of shares on issue at the time.

Mr Crow's performance shares vest when the Company's market capitalisation reaches \$22.287 million calculated based on the volume weighted average market price (VWAP) on the ASX over 20 day trading period multiplied by the number of shares on issue at the time.

The performance shares for Mr Promnitz and Mr Crow were valued at \$467,500 based on the closing share price when the performance shares were granted.

On 21 December 2016, the Company issued 1,539,250 options to brokers for capital raising services. The term of the options include exercise price of \$0.10 and expires on 14 July 2018. A Black-Scholes Option Pricing model has been used to calculate the fair value of the options and the following assumptions were used:

Share price at date of grant : \$0.06

Risk free interest rate : 2%

Life of option : 1.5 years

Volatility : 50%

Based on the above assumption, the fair value of each option is deemed to be \$0.0056 and a share based payment of \$8,634 has been recognised as share issue costs.

Lake Resources NL
Directors' declaration
31 December 2016



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 consolidated entity's financial position as at 31 December 2016 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

A handwritten signature in black ink, appearing to read 'Steve Promnitz', written over a horizontal line.

Steve Promnitz
Managing Director

16 March 2017

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF LAKE RESOURCES NL

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Lake Resources NL which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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.

Directors' Responsibility for the Half-Year Financial Report

The directors of Lake Resources NL are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) 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 Lake Resources NL's financial position as at 31 December 2016 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 Lake Resources NL, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Lake Resources NL as attached to the directors' report, has not changed as at the time of this auditor's review report.



**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF LAKE RESOURCES NL (continued)*****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 Lake Resources NL is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Lake Resources NL's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with AASB 134: *Interim Financial Reporting* and the Corporations Regulations 2001.

Emphasis of Matter

Without modifying our conclusion, we draw attention to Note 1 in the financial report which indicates that Lake Resources NL's ability to continue with its planned exploration activities is dependent on having funding available. As indicated in the note, such funding may be able to be raised as and when required. However, there can be no assurance that such funding will in fact be raised.

The Directors have formed the view that it is appropriate to prepare the financial report on a going concern basis. The financial report does not include any adjustments relating to the recognition and classification of recorded assets and liabilities that might be necessary, should the company be unable to source sufficient funding.

Nexia Brisbane Audit Pty Ltd

Nexia Brisbane Audit Pty Ltd

AM Robertson

AM Robertson
Director

Level 28, 10 Eagle Street
Brisbane QLD 4000

Date: 16 March 2017

