

Lake Resources NL

ABN 49 079 471 980

Interim Report - 31 December 2017

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 2017.

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:

Stuart Crow (Non-Executive Chairman)
Stephen Promnitz (Managing Director)
Nicholas Lindsay (Non-Executive Director)

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 half-year ended 31 December 2017, Lake commenced drilling activities over its Kachi Lithium Brine Project and advanced activities on the other lithium brine projects in Argentina, which are owned 100% in Argentine subsidiaries.

REVIEW OF OPERATIONS

The loss for the consolidated entity after providing for income tax amounted to \$1,947,717 (31 December 2016: \$653,390).

Corporate

During 2016, the Company adjusted its exploration focus to the exploration and development of lithium brine projects and lithium hard rock projects in a prime location amongst the major lithium companies in Argentina, having conducted activities in Argentina previously. In 2017, the Company holds four separate lithium projects in Argentina, each with potential to be a substantial stand alone development project, or colloquially, each "a company maker". Lake holds one of the largest lease holdings of lithium brine and hard rock projects of a listed entity on the ASX.

On 14 November 2016, the Company completed the acquisition of an unlisted company LithNRG Pty Ltd, with exciting lithium brine projects in three large packages of mineral lease applications (over 90,000 Ha) around salt lakes in North West Argentina. The leases had been established prior to the significant interest by majors and investors in lithium in Argentina. Lake controls 100% the subsidiary LithNRG Pty Ltd with its Argentine subsidiaries, Minerale Australas SA and Morena del Valle Minerals SA. The transaction was share based, followed by two private placements in December 2016 and February 2017.

An option agreement was entered into over a large block of mining leases and exploration applications over lithium bearing pegmatites in Argentina in February 2017. Consideration for the transaction are shares in the Company. This agreement was extended into FY2018 to allow completion of the establishment of the local entity, Petra Energy SA, and 19 million LKE shares would be issued if the option is exercised.

An unsecured debt security (note) was announced in November 2017 and raised \$1.665 million from sophisticated and professional investors in the form of 1,665,000 unsecured notes at \$1. This note will be repaid in the second half of FY2018 as other funds become available.

Operations

Argentina

Kachi Lithium Brine Project - Catamarca Province, Argentina

The Kachi Lithium Brine Project is a large new lithium project which covers over 50,000 ha of contiguous mining leases owned 100% by Lake's Argentine subsidiary, Morena del Valle Minerals SA, over the centre of the known salt lakes in the deepest part of a large basin. The project covers a previously undrilled salt lake bearing lithium brines approximately 80km south of FMC's Hombre Muerto Lithium brine production.

Surface sampling has revealed positive lithium results, released in February 2016, up to 322 mg/L Lithium.

A maiden drilling programme commenced in November 2017 over the Kachi Lithium Brine Project. Drilling has shown conductive brines in thick porous sands with the potential for a significant lithium brine basin.

Drilling was aimed at reaching target depths of 200m to 400m to intersect further brine horizons which are anticipated at depth. These may show significant results as suggested by nearby third party drilling which displayed results above 250 mg/L lithium below 170m depth.

Diamond drilling commenced in November 2017 but progressed more slowly than anticipated due to the challenging nature of drilling the thick porous sandy aquifers. As a result, post the end of the December half year, the diamond drill rig was removed and a larger rotary drilling rig commenced activities in February 2018 better suited for testing brines in sandy aquifers. A further rotary rig was contracted in March 2018.

The Company has a focus on an inclusive approach with local communities together with appropriate environmental management. A Letter of Intent was signed by the Argentine subsidiary with the Catamarca Province mining and energy entity, CAMYEN, to aid the development of the project through various permitting stages from exploration to production which bodes well for the future. CAMYEN (Catamarca Minera y Energetica Sociedad Del Estado) has recent experience in assisting renewable energy projects and mining projects in the province, both with permitting, including presentations to the state and local authorities and communities, together with the provision of exploration services.

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

Lake holds tenure over more than 45,000 hectares of mining leases in two areas in Jujuy Province, in NW Argentina, called the Olaroz/Cauchari Lithium Brine Project and the Paso Lithium Brine Project.

Lake's leases adjoin the Olaroz production leases owned by Orocobre Limited and the leases under development in SQM/ Lithium Americas Corporation's Cauchari lithium brine development project and Advantage Lithium/Orocobre's Cauchari project, in Jujuy Province, Argentina. These leases have the potential to display lithium in the same aquifers as they cover areas immediately adjoining known drilled lithium bearing aquifers displaying results over 600 mg/L Lithium and high flow rates of 17-32 litres/sec. Substantial ground geophysics and drilling has been completed in the surrounding leases at Olaroz/Cauchari.

Post the end of the December half year, a landmark agreement was signed with Jujuy Province, Argentina, that confirmed the tenure of Lake's ~45,000 hectares of mining leases which were applications from March 2016 and November 2016 held 100% through Lake's local subsidiaries.

This landmark agreement, entered into with the Jujuy province on 28 February 2018, allows Lake to start work on advancing exploration efforts across these areas with preliminary work on environmental impact studies and community consultations to expedite drill access. Local administrative issues brought delays which are now effectively resolved with this collaborative agreement with the province, subject to the usual processing procedures.

Catamarca Hardrock Pegmatite Project – Catamarca Province, Argentina

Lake holds an option over exploration leases and mining leases and applications over almost 72,000 hectares in a 150km long belt of outcropping pegmatites and pegmatite swarms with lithium potential as spodumene from an area with known past lithium production within Catamarca Province, in NW Argentina. Initial results have been encouraging with potential for a substantial new lithium pegmatite target.

The Company entered into an option agreement with Petra Energy SA, to be fully paid in LKE script. The transaction was announced on 1 March 2017 and the first tranche of 1,000,000 LKE shares was issued. The option agreement has been extended to allow completion of the formation of the Argentine entity. If the option is exercised, half of the issued shares will be escrowed for 6 months. The lithium pegmatites are part of a newly recognised 150km long belt of pegmatite swarms from an area with known past lithium production, outcropping at relatively low altitudes (300-1500m) in Ancasti, Catamarca province, which has good year-round access.

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. The agreement was extended to allow for further exploration.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL HALF-YEAR

On 31 January 2018, the unsecured debt securities (notes) were issued, as announced in November 2017, in the form of 1,665,000 unsecured notes at \$1 each with attached options. Refer to Note 4 for details of the notes.

On 1 March 2018, Lake announced a landmark agreement had been signed with Jujuy Province, Argentina, that confirmed the tenure of Lake's ~45,000 hectares of mining leases over the Olaroz/Cauchari Lithium Brine Project and the Paso Lithium Brine Project which were applications from March 2016 and November 2016 held 100% through Lake's local subsidiaries.

This landmark agreement, entered into with the Jujuy province on 28 February 2018, allows Lake to start work on advancing exploration efforts across these areas with preliminary work on environmental impact studies and community consultations to expedite drill access. Local administrative issues brought delays which are now effectively resolved with this collaborative agreement with the province, subject to the usual processing procedures.

Lake's leases adjoin Orocobre Limited's Olaroz production leases and the leases under development in SQM/ Lithium Americas Corporation's Cauchari lithium brine development project and Advantage Lithium/Orocobre's Cauchari project, in Jujuy Province, Argentina. These leases have the potential to display lithium in the same aquifers as they cover areas immediately adjoining known drilled lithium bearing aquifers displaying results over 600 mg/L Lithium and high flow rates.

In Olaroz, Lake's leases extend 30km north-south adjoining Orocobre's Olaroz lithium production leases to the east. In Cauchari, Lake's leases extend 11km north-south adjoining SQM/Lithium Americas and Advantage Lithium/Orocobre's Cauchari lithium development leases to the west.

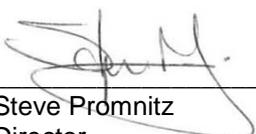
No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

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



Steve Promnitz
Director

16 March 2018

Auditor's Independence Declaration

As lead auditor for the review of Lake Resources N.L. for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

- No contraventions of the auditor independence requirements of 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 Lake Resources N.L. and the entities it controlled during the period.



Kamal Thakkar

Partner

Stanley & Williamson

Sydney

16 March 2018



CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND



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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 is:

Suite 2 Level 10
70 Phillip 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 2018.

Lake Resources NL
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017



	Consolidated	
	31 December 2017	31 December 2016
Note	\$	\$
Expenses		
Employee benefits expense	(204,250)	(41,666)
Consultancy and legal costs	(145,725)	(68,299)
Administration costs	(5,292)	(18,944)
Corporate costs	(278,176)	(56,981)
Share based payments	11 (1,314,274)	(467,500)
Loss before income tax expense	(1,947,717)	(653,390)
Income tax expense	-	-
Loss after income tax expense for the half-year attributable to the owners of Lake Resources NL	(1,947,717)	(653,390)
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	<u>(1,947,717)</u>	<u>(653,390)</u>
	Cents	Cents
Basic earnings per share	10 (0.85)	(0.56)
Diluted earnings per share	10 (0.85)	(0.56)

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

Lake Resources NL
Consolidated statement of financial position
As at 31 December 2017



	Note	Consolidated 31 December 2017 \$	30 June 2017 \$
Assets			
Current assets			
Cash and cash equivalents		1,449,865	1,396,825
Trade and other receivables		50,034	34
Other assets		22,253	13,292
Total current assets		<u>1,522,152</u>	<u>1,410,151</u>
Non-current assets			
Investments accounted for using the equity method		35	35
Exploration and evaluation	3	3,028,988	1,887,866
Total non-current assets		<u>3,029,023</u>	<u>1,887,901</u>
Total assets		<u>4,551,175</u>	<u>3,298,052</u>
Liabilities			
Current liabilities			
Trade and other payables		275,668	69,102
Borrowings	4	1,665,000	-
Total current liabilities		<u>1,940,668</u>	<u>69,102</u>
Total liabilities		<u>1,940,668</u>	<u>69,102</u>
Net assets		<u>2,610,507</u>	<u>3,228,950</u>
Equity			
Issued capital	5	12,691,866	12,346,866
Reserves	6	1,920,534	936,260
Accumulated losses		(12,001,893)	(10,054,176)
Total equity		<u>2,610,507</u>	<u>3,228,950</u>

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

Lake Resources NL
Consolidated statement of changes in equity
For the half-year ended 31 December 2017



Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	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	2,629,655	-	-	2,629,655
Share-based payments	467,500	8,634	-	476,134
Issue of options to vendors of LithNRG	-	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>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017	12,346,866	936,260	(10,054,176)	3,228,950
Loss after income tax expense for the half-year	-	-	(1,947,717)	(1,947,717)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,947,717)	(1,947,717)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 5)	15,000	-	-	15,000
Share-based payments (note 11)	-	1,314,274	-	1,314,274
Conversion of performance shares to issued capital	330,000	(330,000)	-	-
Balance at 31 December 2017	<u>12,691,866</u>	<u>1,920,534</u>	<u>(12,001,893)</u>	<u>2,610,507</u>

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

Lake Resources NL
Consolidated statement of cash flows
For the half-year ended 31 December 2017



	Consolidated	31 December	31 December
Note	2017	2016	2016
	\$	\$	\$
Cash flows from operating activities			
Payments to suppliers and employees	(548,027)	(128,067)	
Net cash used in operating activities	<u>(548,027)</u>	<u>(128,067)</u>	
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	-	2,535	
Payments for exploration and evaluation	3 (1,028,933)	(50,661)	
Net cash used in investing activities	<u>(1,028,933)</u>	<u>(48,126)</u>	
Cash flows from financing activities			
Proceeds from issue of shares	5 15,000	1,467,604	
Proceeds from borrowings	1,615,000	-	
Share issue transaction costs	-	(49,316)	
Repayment of borrowings	-	(156,000)	
Net cash from financing activities	<u>1,630,000</u>	<u>1,262,288</u>	
Net increase in cash and cash equivalents	53,040	1,086,095	
Cash and cash equivalents at the beginning of the financial half-year	1,396,825	74,210	
Cash and cash equivalents at the end of the financial half-year	<u><u>1,449,865</u></u>	<u><u>1,160,305</u></u>	

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

Note 1. Significant accounting policies

These financial statements for the interim half-year reporting period ended 31 December 2017 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 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 2017 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, unless otherwise stated.

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.

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 \$1,947,717 (2016: \$653,390) and net cash outflows from operating and investing activities of \$1,576,960 (2016: \$176,193) for the half-year ended 31 December 2017. As at 31 December 2017, the consolidated entity has net current liabilities of \$418,516, with current borrowings of \$1,665,000 (June 2017: \$nil) in respect of unsecured notes required to be repaid before 24 April 2018 in accordance with the terms of the notes. The directors prepared cash flow forecasts which inferred that the current cash resources may not be sufficient to immediately fund the repayment of the notes, together with planned exploration expenditure, other principal activities and working capital requirements without securing additional funding.

Consequently, these matters give rise to a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and realise its assets and extinguish its liabilities in the ordinary course of business and at amounts stated in the half-year financial report.

The consolidated entity's ability to continue as a going concern and continue its objectives and operations is dependent upon securing additional funding to meet the requirements of its operations through to 31 March 2019. The directors have received supporting documentation to indicate methods of improving this situation in the short term and have considered the following in their assessment of the future funding of the consolidated entity:

- the Directors resolving to raise further equity, at the appropriate time, noting that the consolidated entity has successfully carried out capital raisings previously, including in February 2017 and a debt issue in November 2017. The consolidated entity is currently considering capital raising opportunities, which is normal practice for an exploration/development company, to meet potential capital requirements noted above;
- considering refinancing options for its short term debt commitments;
- potential issuance of equity as consideration for services rendered, where required; and
- equity funding being raised from successful conversion of options which are currently in the money if fully exercised through to 31 March 2019.

Based on the indicative cash flow forecasts as well as based on potential exploration investments and timelines, being adjusted for achieving all or some funding through the steps above, and having carefully assessed the likelihood and timing of achieving funding through these means, the directors are confident that the consolidated entity will be able to fund its activities and meet its requirements as mentioned above, and hence being able to continue as a going concern.

However, the directors note that should the consolidated entity be unable to raise sufficient funding through the abovementioned sources, the going concern basis may not be appropriate with the result that the consolidated entity may have to realise its assets and extinguish its liabilities other than in the ordinary course of business and in amounts different from those statement in the half-year financial report. The half-year 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 mining and exploration with interest 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 Chief Operating Decision Maker ('CODM') 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. Non-current assets - exploration and evaluation

	Consolidated	
	31 December 2017	30 June 2017
	\$	\$
Exploration and evaluation expenditure - at costs	3,028,988	1,887,866

The recoverability of exploration project acquisition costs is dependent upon the successful development and commercial exploitation, or alternatively the sale of areas of interest.

Note 4. Current liabilities - Borrowings

	Consolidated	
	31 December 2017	30 June 2017
	\$	\$
Borrowings - Unsecured Notes	1,665,000	-

During the period, the Company announced that it has secured commitments to raise \$1.665 million in an oversubscribed offer by way of the issue of 1,665,000 unsecured notes (Notes) to sophisticated and professional investors. The Notes are debt securities and are not convertible into ordinary shares.

A summary of the key terms of the Notes are set out below:

Denomination:	The Notes will be issued fully paid with a face value of \$1.00 per Note.
Maturity Date:	23 March 2018 (Maturity Date).
Interest Rate:	The Notes attract interest at 5.0% per annum, payable at maturity (or any earlier redemption).
Status and Ranking:	The Notes rank equally amongst themselves and at least equally with all other direct, unsubordinated and unsecured obligations of the Issuer.
Negative Pledge:	Notes will have the benefit of a negative pledge as regards the encumbrance of its present and future assets or revenues, other than in certain specified circumstances (i.e. where such encumbrance already exists or arises in the ordinary course of business) (Negative Pledge).
Ability to apply for issue:	Subject to compliance with the law, ASX Listing Rules and relevant regulations, during the 30 days prior to the Maturity Date (Election Period), a Holder may elect to apply for ten (10) options for every Note held (Application), on the basis that such Notes are held through the Election Period and up until immediately prior to the Maturity Date.

The Issuer has absolute discretion as to the issue of any options in response to the receipt of an Application and may take into account such matters as the number of Notes originally subscribed for by the relevant Note Holder, the number of Notes

Note 4. Current liabilities - Unsecured notes (continued)

held immediately prior to the Maturity Date by the relevant Note Holder and the prevailing share price of the Issuer at the relevant time.

The Issuer expressly reserves the right to scale-back Applications or to issue no options in respect of an Application, in its sole and unfettered discretion.

The theoretical maximum number of options that could be issued, if all Applications are accepted, is 16,650,000 options.

Note Holders must represent and warrant to the Issuer that they are, and will be, a Sophisticated Investor or Professional Investor at both the time of the Application and the time of issue of the options.

The options, if issued, will:

- be exercisable at \$0.20 each at any time until their expiry;
- unless earlier exercised, expire on 30 November 2018;
- be subject to the same restrictions on transfer as the Notes;
- be unlisted; and
- contain standard terms as to participation in new issues, reconstructions and pro-rata issues.

The issue of the notes was completed on 31 January 2018.

Note 5. Equity - issued capital

	Consolidated			
	31 December 2017 Shares	30 June 2017 Shares	31 December 2017 \$	30 June 2017 \$
Ordinary shares - fully paid	<u>233,643,026</u>	<u>227,493,026</u>	<u>12,691,866</u>	<u>12,346,866</u>

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2017	227,493,026	12,346,866
Options exercised	7 December 2017	150,000	15,000
Conversion of performance rights	8 December 2017	<u>6,000,000</u>	<u>330,000</u>
Balance	31 December 2017	<u>233,643,026</u>	<u>12,691,866</u>

Performance rights (note that the valuation of the performance rights are recognised in performance rights reserve)

Details	Date	Performance rights	\$
Balance	1 July 2017	21,000,000	880,000
Converted to ordinary shares	8 December 2017	<u>(6,000,000)</u>	<u>(330,000)</u>
Balance	31 December 2017	<u>15,000,000</u>	<u>550,000</u>

Note 5. Equity - issued capital (continued)

Options (note that the valuation of the options are recognised in option reserve)

Details	Date	Options	\$
Balance	1 July 2017	58,389,250	51,263
Issue of options to Directors	30 November 2017	9,500,000	1,314,274
Exercise of options into ordinary shares	7 December 2017	<u>(150,000)</u>	<u>-</u>
Balance	31 December 2017	<u>67,739,250</u>	<u>1,365,537</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.

Note 6. Equity - reserves

	Consolidated	
	31 December 2017 \$	30 June 2017 \$
Capital profits reserve	4,997	4,997
Options reserve	1,365,537	51,263
Performance shares reserve	<u>550,000</u>	<u>880,000</u>
	<u>1,920,534</u>	<u>936,260</u>

Capital profits reserve

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

Options reserve

The options reserve is to recognise the fair value of options issued for share-based payments to employees (including directors) and service providers in relation to the supply of goods and services.

Performance rights reserve

The performance rights reserve is to recognise the fair value of performance rights issued to employees (including directors) and vendors in relation to the supply of goods and services.

Note 6. Equity - reserves (continued)

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Capital profit reserve \$	Option reserve \$	Performance rights reserve \$	Total \$
Balance at 1 July 2017	4,997	51,263	880,000	936,260
Share-based payments - issue of options to directors	-	1,314,274	-	1,314,274
Conversion to share capital	-	-	(330,000)	(330,000)
Balance at 31 December 2017	<u>4,997</u>	<u>1,365,537</u>	<u>550,000</u>	<u>1,920,534</u>

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

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	Consolidated
	31 December	31 December
	2017	2016
	\$	\$
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>-</u>	<u>17,600</u>

Note 9. Events after the reporting period

On 31 January 2018, the unsecured debt securities (notes) were issued, as announced in November 2017, in the form of 1,665,000 unsecured notes at \$1 each with attached options. Refer to Note 4 for details of the notes.

On 1 March 2018, Lake announced a landmark agreement had been signed with Jujuy Province, Argentina, that confirmed the tenure of Lake's ~45,000 hectares of mining leases over the Olaroz/Cauchari Lithium Brine Project and the Paso Lithium Brine Project which were applications from March 2016 and November 2016 held 100% through Lake's local subsidiaries.

This landmark agreement, entered into with the Jujuy province on 28 February 2018, allows Lake to start work on advancing exploration efforts across these areas with preliminary work on environmental impact studies and community consultations to expedite drill access. Local administrative issues brought delays which are now effectively resolved with this collaborative agreement with the province, subject to the usual processing procedures.

Lake's leases adjoin Orocobre Limited's Olaroz production leases and the leases under development in SQM/ Lithium Americas Corporation's Cauchari lithium brine development project and Advantage Lithium/Orocobre's Cauchari project, in Jujuy Province, Argentina. These leases have the potential to display lithium in the same aquifers as they cover areas immediately adjoining known drilled lithium bearing aquifers displaying results over 600 mg/L Lithium and high flow rates.

In Olaroz, Lake's leases extend 30km north-south adjoining Orocobre's Olaroz lithium production leases to the east. In Cauchari, Lake's leases extend 11km north-south adjoining SQM/Lithium Americas and Advantage Lithium/Orocobre's Cauchari lithium development leases to the west.

No other matter or circumstance has arisen since 31 December 2017 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 December 2017	31 December 2016
	\$	\$
Loss after income tax attributable to the owners of Lake Resources NL	<u>(1,947,717)</u>	<u>(653,390)</u>
	31 December 2017	31 December 2016
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>228,296,015</u>	<u>116,926,506</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>228,296,015</u>	<u>116,926,506</u>
	Cents	Cents
Basic earnings per share	(0.85)	(0.56)
Diluted earnings per share	(0.85)	(0.56)

At the reporting date, the Company has 51,989,250 (2016: 50,000,000) options on issue and in the money that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented.

Note 11. Share-based payments

On 30 November 2017, the Company's shareholders approved the issue of 9,500,000 options to the Directors of the Company. The options were issued at nil consideration, exercise price of 150% of the share price on the date the shareholders' approval were received, and expires on 31 December 2020. 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:	\$0.19
Exercise price for each option:	\$0.28
Risk free interest rate:	2.148%
Expiry date:	31 December 2020
Volatility:	136%

Based on the above assumptions, the fair value of each option is deemed to be \$0.138 and a share based payment of \$1,314,274 has been recognised in the statement of profit or loss and other comprehensive income.

Lake Resources NL
Directors' declaration
31 December 2017

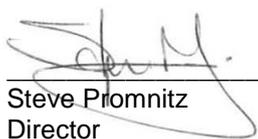


In the directors' opinion:

- the attached consolidated financial statements and notes of Lake Resources NL 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 consolidated financial statements and notes of Lake Resources NL give a true and fair view of the consolidated entity's financial position as at 31 December 2017 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



Steve Plomnitz
Director

16 March 2018

Independent Auditor's Review Report To the Members of Lake Resources N.L.

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of Lake Resources N.L. (the Company) and its controlled entities (the Consolidated Entity), which comprises the consolidated statement of financial position as at 31 December 2017, the consolidated profit or loss statement and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 the Consolidated Entity is not in accordance with the *Corporations Act 2001* including:

- i) Giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 and of its financial performance for the half-year ended on that date; and
- ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the half-year financial report which indicates that the Consolidated Entity has incurred net losses after tax of \$1,947,717 (2016: \$653,390) and net cash outflows from operating and investing activities of \$1,576,960 (2016: \$176,193) for the half-year ended 31 December 2017. As at 31 December 2017, the Consolidated Entity has net current liabilities of \$418,516, with current borrowings of \$1,665,000 (June 2017: \$nil) in respect of unsecured notes required to be repaid before 24 April 2018 in accordance with the terms of the notes. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

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 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 2017 and its financial 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 the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



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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.

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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Consolidated Entity, would be in the same terms if given to the directors as at the time of this auditor's review report.



Stanley & Williamson

**Sydney
16 March 2018**



**Kamal Thakkar
Partner**