

LAKE RESOURCES N.L.

QUARTERLY REPORT

ENDING 30 SEPT 2018

ABN 49 079 471 980



31 October 2018

Lake Resources N.L.
ASX:LKE

Shares on Issue:
360,223,781

Options Listed:
42,816,667 (20c, 15 Dec18)

Options Unlisted:
5,042,494 (5c, 30 Nov'18)
6,250,000 (5c, 21 Oct'19)
9,500,000 (28c, Dec'20)

Market Capitalisation:
\$32 million (@9c)

Share Price Range:
\$0.07 – 0.31 (12mth)

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HIGHLIGHTS

- **Four lithium projects in prime locations in north western Argentina, with large lease holdings totaling ~180,000 hectares.**
- **Resource drilling advanced at the Kachi Lithium Brine Project with 14 holes for 3100 metres to depths of 400 metres, reinforcing size and consistency of clean brines over an area of 22 x 8 kilometres;**
- **Kachi brines extend from surface to 400-800m depth at in permeable sands.**
- **Consistent results of 326 mg/L lithium, with highest grades from the most recent drill hole, with low impurities and a low Mg/Li ratio of 3.7;**
- **Partnership with Lilac Solutions to assess Lilac's direct lithium extraction process for the Kachi lithium brine with the goal of establishing a rapid, robust, low-cost process for producing lithium.**
- **Lilac process demonstrated high recoveries of 80-90% lithium directly from Kachi brines, producing a brine concentrate of over 3,000 mg/L lithium;**
- **The Olaroz-Cauchari leases adjoin lithium brine production of Orocobre and development projects with world class lithium resources in the same basin as Orocobre and Ganfeng/(SQM)/Lithium Americas.**
- **Drilling underway at Cauchari to test geophysics-confirmed extensions of adjoining world-class brine resources;**
- **Option exercised over ~70,000 hectare pegmatite lithium project in Catamarca, a large area with small-scale production in the past, but limited modern exploration.**

LAKE RESOURCES N.L.
QUARTERLY REPORT – ENDING 30 SEPTEMBER 2018

Lake Resources NL is an exploration and development company with one of the largest lithium lease holdings in Argentina of ~180,000 hectares with four prime lithium projects: 3 brine projects and 1 hard rock project. Each is capable of being a ‘company maker’.

These include the Kachi Lithium Brine Project which covers ~54,000 hectares of consolidated mining leases over a previously undrilled salt lake; the Olaroz-Cauchari and Paso Projects in Jujuy province adjacent to Orocobre and Ganfeng/(SQM)/Lithium Americas; and the Catamarca Pegmatite Lithium Project (~72,000 hectares), with large pegmatite swarms over past production within a 150km long belt.

A maiden resource estimate is anticipated soon from the Kachi project. The large area of Kachi with a single owner appeals to battery makers, and is suited to a strategic investment/partnership. Drilling at Cauchari has already begun, and drilling over the Olaroz leases will commence soon. These are targeting extensions of known brine lithium resources of over 15 million tonnes LCE (Lithium Carbonate Equivalent).

OPERATIONS

Kachi Lithium Brine Project - Catamarca Province, Argentina

Summary

The Kachi Lithium Brine Project is located in Catamarca province, NW Argentina. It is a consolidated package of ~54,000 hectares of mining leases 100% owned by Lake, centred around a previously undrilled salt lake within a large lithium brine-bearing basin. Kachi is one of the few salt lakes in Argentina with substantial identified lithium brines fully controlled by a single owner.

The Project covers the lowest point of drainage from a large area of over 6,000 square kilometres, sourcing lithium from acid volcanics and hot springs. This large drainage covers the areas immediately south of Livent / FMC Corp’s Hombre Muerto Lithium brine operation (which is Argentina’s longest operating lithium brine project) and Galaxy Resources (GXY.ASX) Limited’s Sal de Vida lithium brine project, both sourcing lithium from similar volcanics. Also nearby is Albemarle Corp’s Antofalla lithium potash brine development project.

Resource drilling shows consistent results and continues to confirm the large scale and quality of the Project. Drilling and geophysics have confirmed the presence of a large deep salt lake basin with an area of 22 x 8 kilometres and 400-800 metres deep. This is a similar size to globally significant lithium brine producers in Argentina and Chile. The brine body at Kachi has the potential to increase further under covered areas.

To date, Lake has completed 14 rotary and diamond drill holes for 3100 metres into the lithium brine-bearing sediments. Results reported from 13 drill holes from 6 drill platforms spaced up to 11 km apart, with variable depths up to 405 metres, demonstrate that lithium brine is present from near surface to over 400 metres depth, and indicate the likely extension to the south potentially at similar grades and to greater depths.

Consistent results have been delivered, with highest grades to date from the most recent drill-hole K08R14 averaging 326 mg/L lithium with low impurities and low average Mg/Li ratio of 3.7 (3.4 – 4.8). An initial resource estimate at Kachi is anticipated in the coming weeks, with an exploration target provided beforehand.

Exploration

A maiden drilling programme of lithium brines commenced in November 2017, with rotary and diamond drill holes having been completed between 100 to 405 metres depth with slotted casing in place to allow testing and sampling. Conductive brines were intersected in aquifers from near surface to below 400m in interlayered

sediments dominated by permeable sandy sediments. The high permeabilities are being tested with porosity tests in a laboratory in the USA.

Brines with high density (1.18 - 1.22 g/cm³) were intersected with low combined impurities (boron, sulphate, calcium, magnesium, iron). Mg/Li ratios have varied mainly between 3.7 to 4.5 with potassium values around 4000-6000 mg/L. Recent drill results returned 314-332mg/L lithium over 60 metres in drillhole K08R14 averaging 326 mg/l lithium. Brine samples in this hole display encouraging densities with a favourable Mg/Li ratio of 3.8. This follows averaged results of 306 mg/L lithium over 24 metres (213–237m) from hole K03R03 indicating consistent brine chemistry throughout the stratigraphic profile in the western sector of this project area.

A passive seismic geophysical survey has demonstrated a large basin with the thickness of the sediments hosting the brine varying from 400 metres depth to approximately 800 metres depth. The distinct reflectors identified in the survey correlate well with dense lithologies such as a number of ignimbrite units within the predominantly sandy sediments. Importantly the seismic survey also suggests the majority of the volcanic material visible at surface forms a thin veneer overlying lake sediments, which is very positive for the project as it further increases the area, thence the volume of sediments that potentially host brines.

Lake and Lilac Solutions, Inc. (“Lilac”) announced in September 2018 that they have entered into a partnership to leverage Lilac’s proprietary ion exchange technology (the “Lilac Technology”) for the Kachi Lithium Brine with the goal of establishing a rapid, robust, and low-cost process for producing a lithium eluate that can be processed downstream into battery-grade lithium carbonate or lithium hydroxide based on conventional processes with a downstream recovery of around 90%.

Lilac reported preliminary results from Phase 1 Engineering, which demonstrated high lithium recoveries and high lithium eluate purity from a Kachi brine sample. Lithium recoveries into the lithium eluate were 80-90%, and after downstream processing, this is estimated to provide an overall project-level lithium recovery of 70-80%. This compares very favourably with project-level lithium recoveries below 50% for conventional operations in the Salar de Atacama, which features lithium grades above 1,000 mg/L.

This was undertaken in a single step going from the average raw brine concentrations to a lithium eluate containing 3,000 mg/L lithium, 400 mg/L sodium, 250 mg/L calcium, 120 mg/L magnesium, and 1 mg/L boron, which can be readily processed through reverse osmosis and conventional purification technologies and fed into a conventional carbonate plant. Further samples are being tested for refinement of the process.

Lilac is now estimating operating costs for commercial lithium production at Kachi for direct production of lithium carbonate or lithium chloride. Given initial results, Lilac expects a globally-competitive cost of production. This approach eliminates the need for evaporation ponds, which are expensive to build, slow to ramp up, and vulnerable to weather fluctuations.

Table 1 provides drill hole location details and lithium results, which are averaged where multiple samples have been taken at a single interval.

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

Lake holds mining leases over ~45,000 hectares in two areas in Jujuy Province in NW Argentina - Olaroz – Cauchari Lithium Brine Project and Paso Lithium Brine Project, both 100% owned by Lake. Tenure was confirmed with a landmark agreement entered into with the Jujuy provincial government on 28 Feb 2018. >>

Drilling is underway at Cauchari, which will be followed by Olaroz. A rotary drill rig has commenced drilling at Hole #2 at Cauchari with a pre-collar hole to 100 metres depth to assist the diamond rig through the upper gravels into the brine sequence. The diamond drill rig is already drilling at Hole #1 approximately 2500 metres south of drill hole #2. Four holes, totalling 1,500 metres, are planned with each drillhole initiated with a pre-collar well to 100 metres depth, except for drill hole #1.

Drilling is anticipated to show a likely extension to the high grade lithium brines of Ganfeng Lithium/Lithium Americas and Orocobre/Advantage Lithium in adjacent properties (Figures 2,3,4). Third party drill results on the here include 600-705mg/L lithium with high flow rates close to the lease boundary (*1). Based on recent seismic lines, Lake expects these high-grade lithium brines to extend into its leases and brine bearing sediments are estimated to extend to 300-400 metres deep, based on the interpretation of the seismic line completed by Lake.

Lake's leases at Cauchari extend 11 km north-south of the adjoining development project owned by Ganfeng Lithium (previously SQM)/Lithium Americas and being in the same basin, show strong potential to display lithium in the same aquifers. Advantage Lithium/Orocobre have recently reported a 6-fold increase in resources to 3 million tonnes LCE.

At Olaroz, which is north of Cauchari, Lake's leases extend over 30 kilometres east and north of the adjoining Orocobre's Olaroz lithium production leases. Approvals, which involve environmental impact studies and community consultations, are being sought to access and drill these areas.

Catamarca Lithium Pegmatite Project - Catamarca Province, Argentina

Lake exercised an option agreement in September 2018 with Petra Energy SA over leases and applications for almost 72,000 hectares of outcropping pegmatites with lithium potential within Catamarca Province in NW Argentina. A single tranche of 19 million ordinary LKE shares were issued to the vendors in late September 2018 to acquire 100% of the local company and the project, of which 50% of the shares will be escrowed for 6 months. The transaction was announced on 1 March 2017 and the first tranche of 1,000,000 LKE shares were issued. A recent field programme has reinforced the view that the 150 kilometre-long belt favourably hosts significant lithium mineralisation as spodumene in large pegmatite swarms. At Ancasti, which is the initial focus of Lake's exploration, pegmatites crop out at relatively low altitudes (300-1500m and there is good year-round access. The pegmatite targets were recognised following a study of past lithium (spodumene) producing mines, satellite image interpretation and field visits by Lake's geologists. This has resulted in new exploration models being developed which clearly show potential for the belt to host large-scale deposits. Previously, coarse grained spodumene crystals 30-70cm long had been identified in a number of locations. Further exploration activities will be conducted including field based XRF analysis to vector in on potential new targets, followed by trenching and auger sampling. Drill locations will then be defined by these results.

CORPORATE

Cash Position

Lake held cash of \$0.3 million as at 30 September 2018, (in AUD, USD and Argentine Pesos). As announced to the ASX on 24 September 2018, Long State Investments (New York investor) provided \$1 million financing of the Company's \$0.10 LKEO options. The funds from Long State were received after quarter end, net of their \$25k advisory fee, currently held under an equity swap agreement.

Lake's \$0.10 listed LKEO options (expiry 27 August 2018) were almost all converted to LKE ordinary shares in August/September 2018. The Company issued (in tranches) 17,915,783 new Ordinary Shares in LKE at \$0.10 per share following the conversion of LKEO options, with an exercise price of \$0.10. Approximately \$0.8 million were converted by the holders and a further \$1 million was subscribed by a US investor, Long State Investments.

Lake entered into a corporate advisory agreement with Long State Investments to assist introducing Lake to Asian based investors, potential offtake and strategic investors. The Company further agreed to an equity participation arrangement of \$575,000 per quarter with Long State. The potential funding receivable by the Company under this arrangement, which is based upon the performance of its Shares, has no upper limit. Under the arrangement, the Company's participation will be determined and payable in two settlement tranches payable quarterly as measured against a Benchmark Price of \$0.115 per share. If the measured share price

exceeds the Benchmark Price, for that quarter, the Company will receive quarterly settlement on a pro rata basis, and vice versa should the measured share price be below the Benchmark Price.

On 31 July 2018, the Company entered into a Controlled Placement Agreement (CPA) with Acuity Capital, although this agreement is not currently active, the timing of which is solely at the discretion of Lake Resources. The CPA provides LKE with up to \$4.5 million of standby equity capital over the coming 29-month period. Importantly, LKE retains full control of all aspects the placement process: having sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any). There are no requirements on LKE to utilise the CPA and LKE may terminate the CPA at any time, without cost or penalty. Acuity Capital and the CPA do not place any restrictions at any time on LKE raising capital through other methods. If LKE does decide to utilise the CPA, LKE is able to set a floor price (at its sole discretion) and the final issue price will be calculated as the greater of that floor price set by LKE and a 10% discount to a Volume Weighted Average Price (VWAP) over a period of LKE's choosing (again at the sole discretion of LKE). As collateral for the CPA, LKE has agreed to place 15m shares from its LR7.1 capacity, at nil consideration to Acuity Capital (Collateral Shares) but may, at any time, cancel the CPA and buy back the Collateral Shares for no consideration (subject to shareholder approval).

Future Potential funding sources (apart from future capital raisings)

Type of Facility	Amount	Detail
Long State Equity	\$575,000 / quarter; Potential funding has no upper limit.	Company's participation determined and payable in 2 settlement tranches payable quarterly as measured against a Benchmark Price of \$0.115 per share. If exceeds the Benchmark Price, the Company will receive quarterly settlement on a pro rata basis, and vice versa should the measured share price be below the Benchmark Price
Acuity Capital	\$4.5 million over 29-month period	Available; On hold; activated at Company's discretion considering above facility

As mentioned above, in order to enable the Company to secure additional, non-dilutive funding, the Company has further agreed an equity participation arrangement of \$575,000 per quarter with Long State. The potential funding receivable by the Company under this arrangement, based upon the performance of its Shares, has no upper limit.

The Company is in advanced discussions with a number of potential strategic investors to advance the flagship projects through a feasibility study and/or pre-feasibility study. If these discussions are not concluded in a reasonable time frame, alternate debt and equity related funding mechanisms will be activated.

Capital Structure

Lake has 360,223,781 shares on issue as at 30 October 2018.

Listed options include 42,816,667 options (LKEOA) with an exercise price of \$0.20 (expiry 15 December 2018). Unlisted options include 5,042,494 options with an exercise price of \$0.05 (expiry 30 November 2018), 6,250,000 options with an exercise price of \$0.05 (expiry November 2019) and 9,500,000 unlisted options with an exercise price of \$0.28 (expiry 31 December 2020).

Research Report

Fundamental Research, in Vancouver, initiated coverage of Lake Resources with an positive price target of the company's near term upside of \$0.44 per share based on anticipated newsflow and comparisons with other companies. A copy of the report can be found on the Company's website under the investors research tab, as per the link: <http://www.lakeresources.com.au/investors/?page=research>

Outlook

The focus in the coming quarter will be:

Kachi Lithium Brine Project - Catamarca Province

- Exploration Target
- Release of the initial resource estimate .
- Further Phase 1 Engineering and results from Lilac Solutions on direct extraction results
- Initiation of the Pre-Feasibility Study and development options

Olaroz-Cauchari & Paso Lithium Brine Projects - Jujuy Province

- Results from initial drilling of the Cauchari area.
- Further drilling results at Cauchari and possibly the initiation of drilling at Olaroz.
- Results from geophysics at Cauchari, Olaroz and Paso project areas.

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Lake Resources NL (ASX:LKE)

Lake Resources NL (ASX:LKE, Lake) is a lithium exploration and development company focused on developing its three lithium brine projects and one hard rock project in Argentina, all owned 100%. The leases are in prime locations among the lithium sector's largest players within the Lithium Triangle, where half of the world's lithium is produced. Lake holds one of the largest lithium tenement packages in Argentina (~180,000 hectares) secured in 2016 prior to a significant entry by major companies. The large holdings provide the potential to provide security of supply demanded by battery makers and electric vehicle manufacturers.

The Kachi project covers 50,000 hectares over a salt lake south of FMC's lithium operation and near Albemarle's Antofalla project. Drilling at Kachi has confirmed a large lithium brine bearing basin over 22km long and over 400m deep. Drilling over Kachi is aimed to produce a resource statement in 2018, anticipated in late 2018. A direct extraction technique is being trialled in tandem with conventional methods as part of a PFS to follow the resource statement. Scope exists to unlock considerable value through partnerships and corporate deals in the near-term.

The three key brine projects Kachi, Olaroz-Cauchari and Paso, are located adjacent to major world class brine projects either in production or being developed in the highly prospective Jujuy and Catamarca Provinces. The Olaroz-Cauchari project is located in the same basin as Orocobre's Olaroz lithium production and adjoins Ganfeng Lithium/Lithium Americas' Cauchari project, with high grade lithium (600 mg/L) with high flow rates drilled immediately across the lease boundary.

A drill rig has commenced at Cauchari with results anticipated to extend the world class resources in adjoining properties into LKE's area, with results anticipated from November into December 2018. This will be followed by drilling extensions to the Olaroz area in LKE's 100% owned Olaroz leases.

Significant corporate transactions continue in adjacent leases with development of Ganfeng Lithium/Lithium Americas Cauchari project with Ganfeng announcing a US\$237 million for 37% of the Cauchari project previously held by SQM. Nearby projects of Lithium X were recently acquired via a takeover offer of C\$265 million completed March 2018. The northern half of Galaxy's Sal de Vida resource was purchased for US\$280 million by POSCO in June 2018

The demand for lithium continues to be strong for lithium ion batteries in electric vehicles, according to recent data from the leading independent battery minerals consultant - Benchmark Mineral Intelligence. Supply continues to be constrained suggesting good opportunities for upstream lithium companies for many years.

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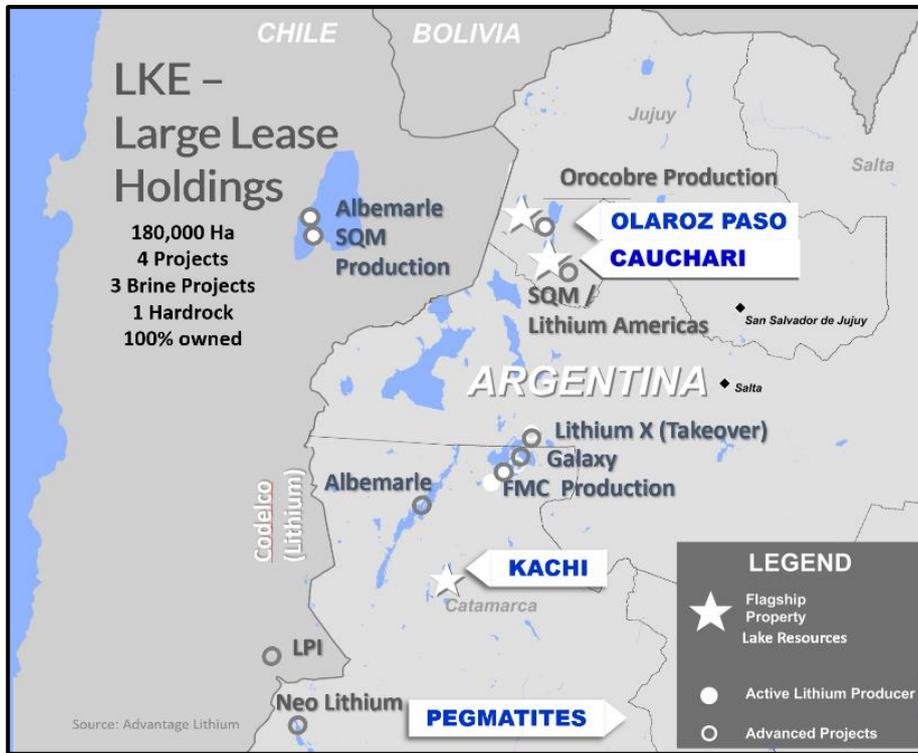


Figure 1: Location map of Lake Resources lithium brine and hard rock (pegmatite) projects in NW Argentina



Figure 2: Lake's Cauchari Lithium Project – View looking north west from first diamond drill hole across the Cauchari salt lake towards adjoining Ganfeng Lithium / Lithium Americas resource and Orocobre / Advantage Lithium resource.

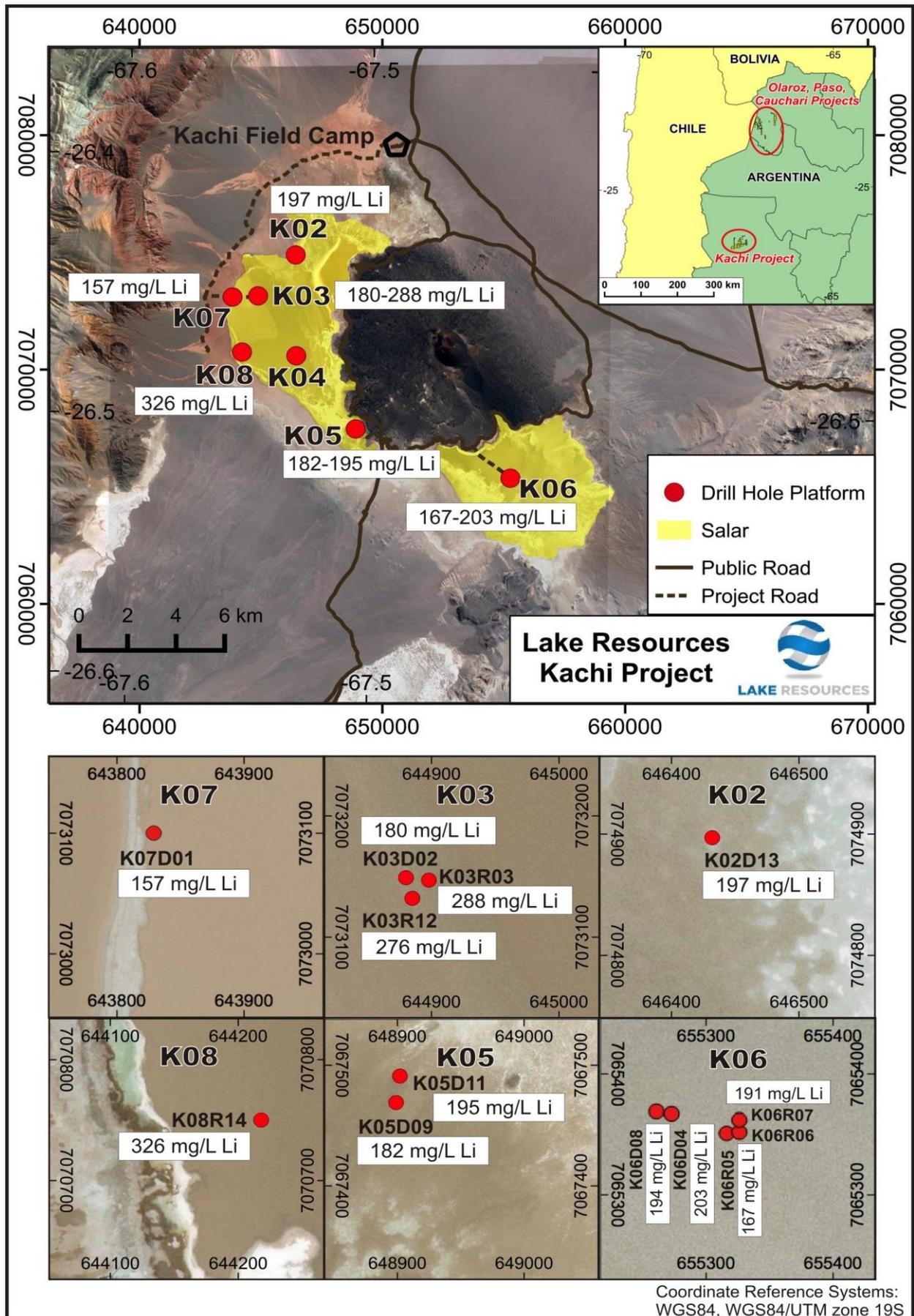


Figure 3: Kachi Project – drillhole pad locations with multiple diamond/rotary holes from each drillpad

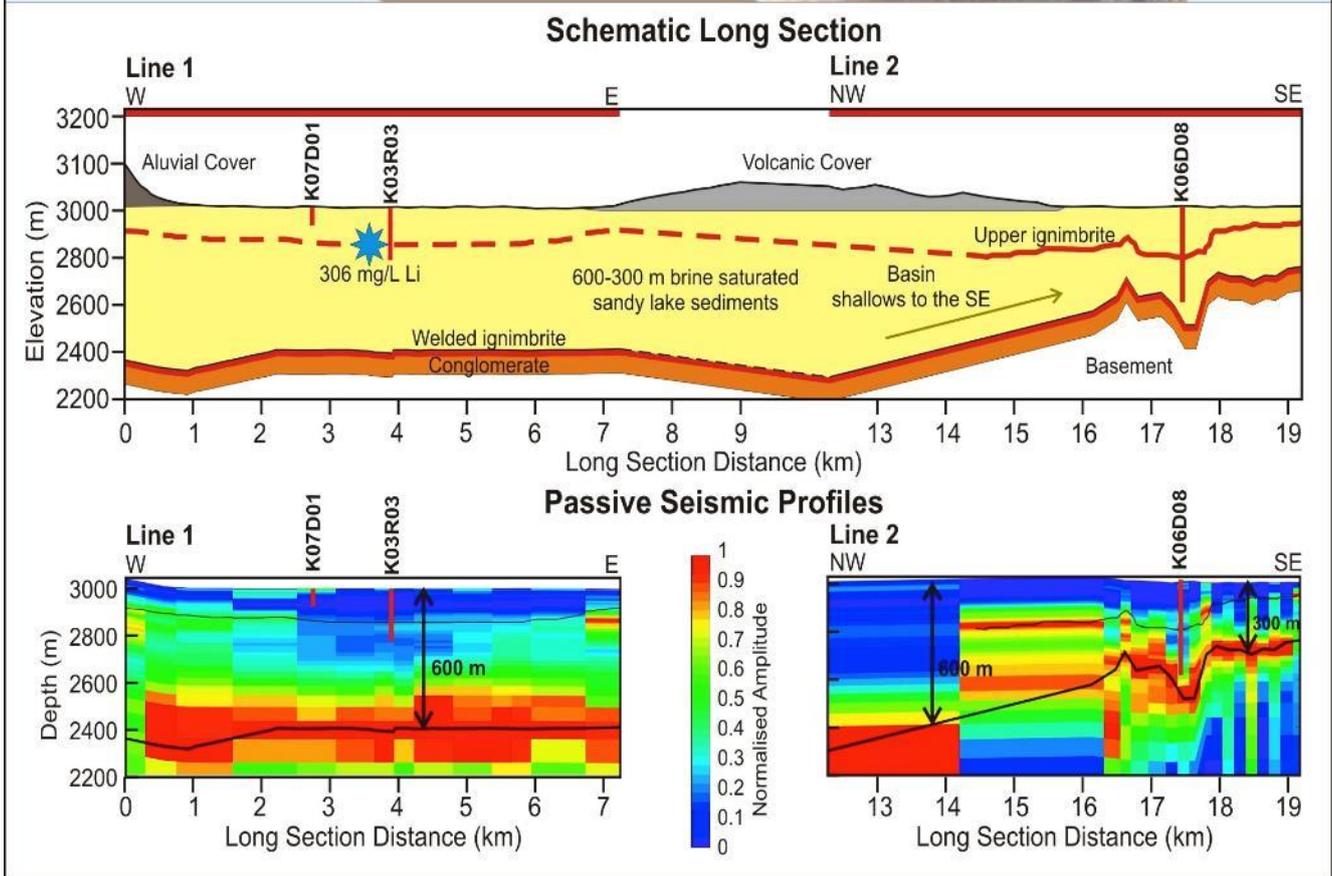
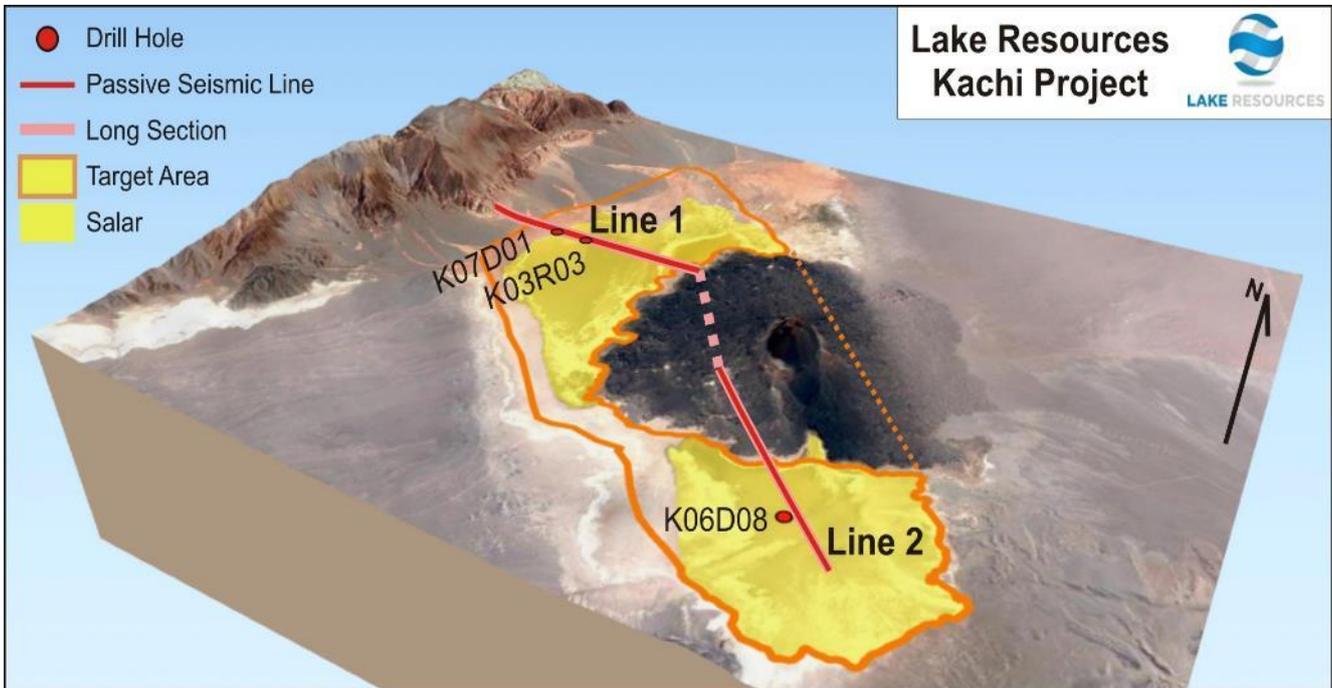


Figure 4. Kachi Lithium Project, with passive seismic survey results and reflector around 600m depth - Line 1 and 400-800m depth - Line 2



Figure 5. Kachi Lithium Project, with images of the rotary drill rig and the diamond rig in the south east side-by-side; the rotary rig at K03 on a deeper hole; a view of the salt lake from the south west looking north

Table 1: Kachi Lithium Project – details of drill-hole locations

Exploration Hole	Drilling Method	Easting	Northing	Total Depth (m)	Assay Interval (m)	Lithium (mg/L)	Magnesium (mg/L)	Potassium (mg/L)
Northern Area								
K07D01	Diamond	643829	7073100	76.25	10 - 34	157		3330
K03D02	Diamond	644880	7073149	150.5	74 - 92	180	1740	4435
K03R03	Rotary	644898	7073147	242	213 - 237	306*	1307*	5998*
K03R12	Rotary	644885	7073132	400	358 - 400	267*	1180*	5180*
K02D13	Diamond	646432	7074897		60	217	3557	4438
					64 - 108	182	2884	3620
					269 - 298	204	2163	4100
					313 - 343	252	1411	4987
Southern Area								
K06D04	Diamond	655320	7065352	167.5	95 - 113	203	766	3321
K06R05	Rotary	655273	7065354	87	68 - 85	167	1000	3160
K06R06	Rotary	655307	7065374	180	Not Sampled			
K06R07	Rotary	655326	7065362	189	159 - 179	191	1009	961
K06D08	Diamond	655326	7065362	405	69 - 70	194	958	3171
					120 - 121	191	873	3199
					165-166	170	880	3650
					205-206	164	894	3590
					258-259	164	888	3560
K05D09	Diamond	648899	7067469	139	354-405	170	877	3670
					62	83	1229	965
					108	222	1325	4360
K05D11	Diamond	648902	7067491	391	157	95	1460	1926
					188	215	919	3596
					224 - 248	175	876	3065
					289	143	1088	2251
					300.5	116	1035	1782
					291 - 334	234	3199	4980
K08R14	Rotary	644218	7070750	364	301 - 361	326*	1232*	6038*

Coordinates are WGS84 Z19 South

* Average for multiple samples during extended air lift

Competent Person's Statement – Kachi Lithium Brine Project

The information contained in this ASX release relating to Exploration Results has been compiled by Mr Andrew Fulton. Mr Fulton is a Hydrogeologist and a Member of the Australian Institute of Geoscientists and the Association of Hydrogeologists. Mr Fulton has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a competent person as defined in the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves.

Andrew Fulton is an employee of Groundwater Exploration Services Pty Ltd and an independent consultant to Lake Resources NL. Mr Fulton consents to the inclusion in this announcement of this information in the form and context in which it appears. The information in this announcement is an accurate representation of the available data from initial exploration at the Kachi project.

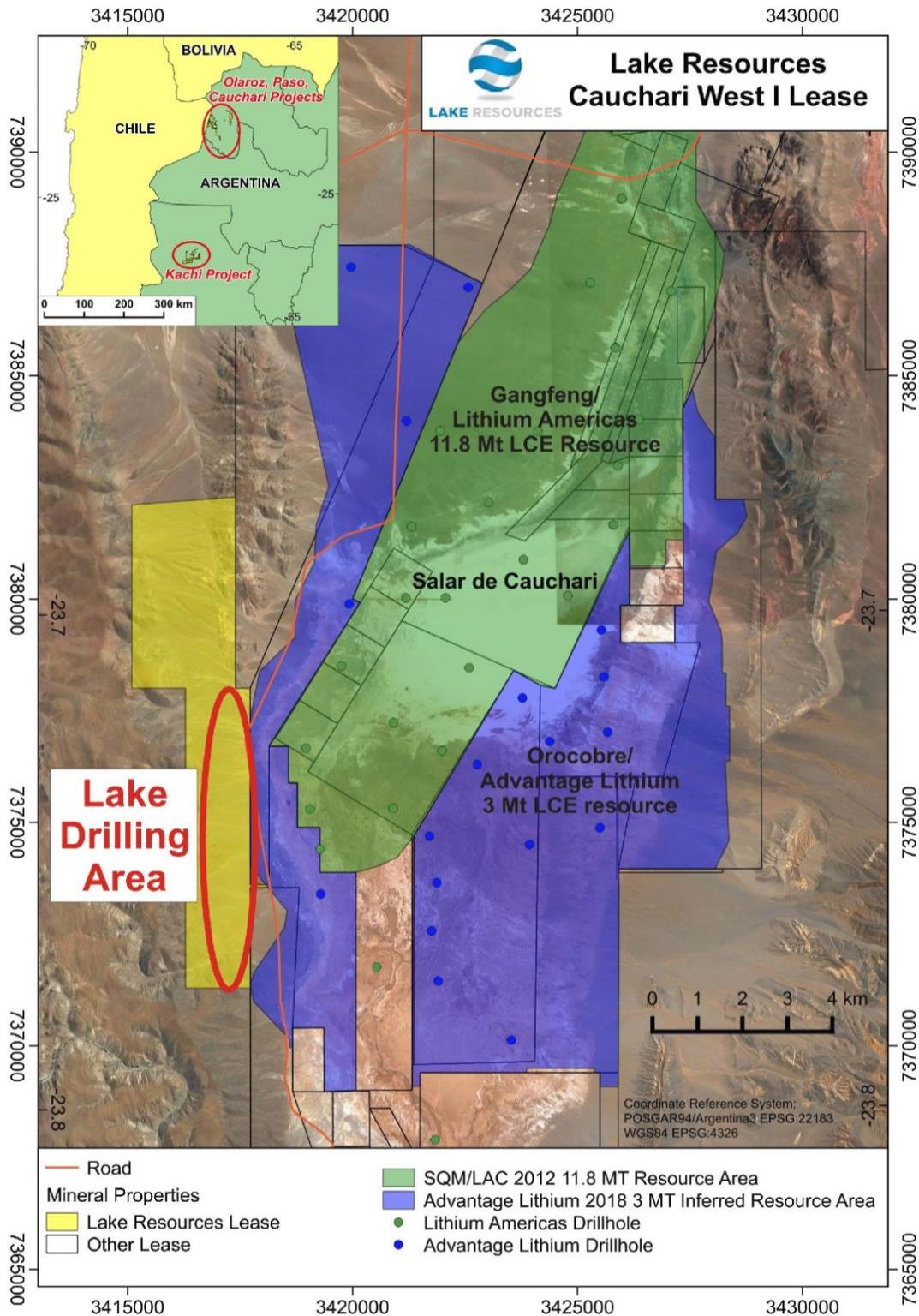


Figure 6. Cauchari Lithium Project, with adjoining SQM / Lithium Americas resource and Orocobre / Advantage Lithium resource with summary drill results (Orocobre announcements 7/11/2017, 4, /12/2017, 18/01/2018, Advantage Lithium announcement 5/3/2018).

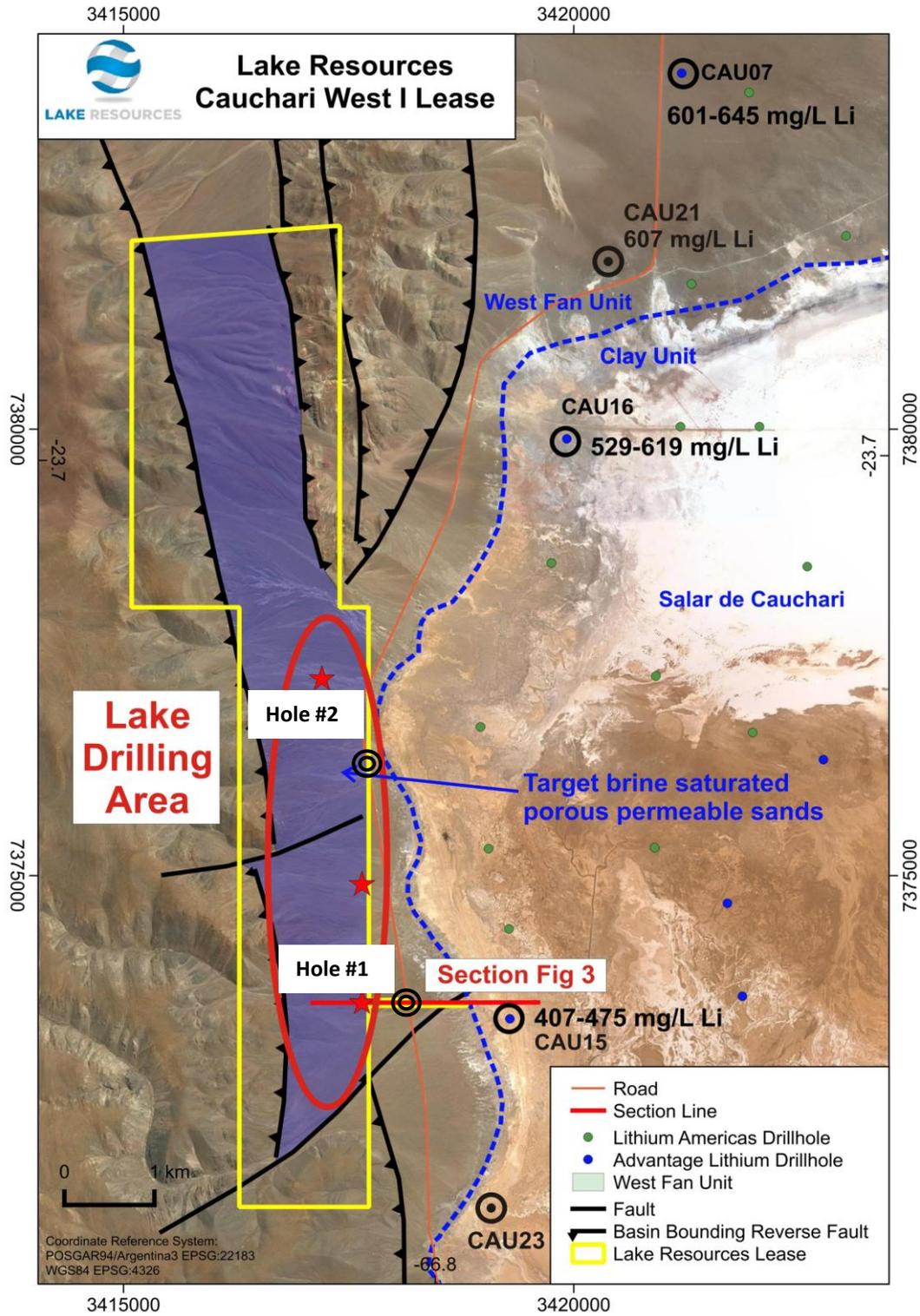


Figure 7. Cauchari Lithium Project, showing initial drill hole location and interpreted cross section planned to intersect the extension of the sand unit inferred to extend into Lake's leases from adjoining Orocobre / Advantage Lithium resource and Ganfeng Lithium / Lithium Americas resource (previously SQM / Lithium Americas) with brine bearing sediments to around 400m depth (Source: Advantage Lithium NI 43-101 (*1))

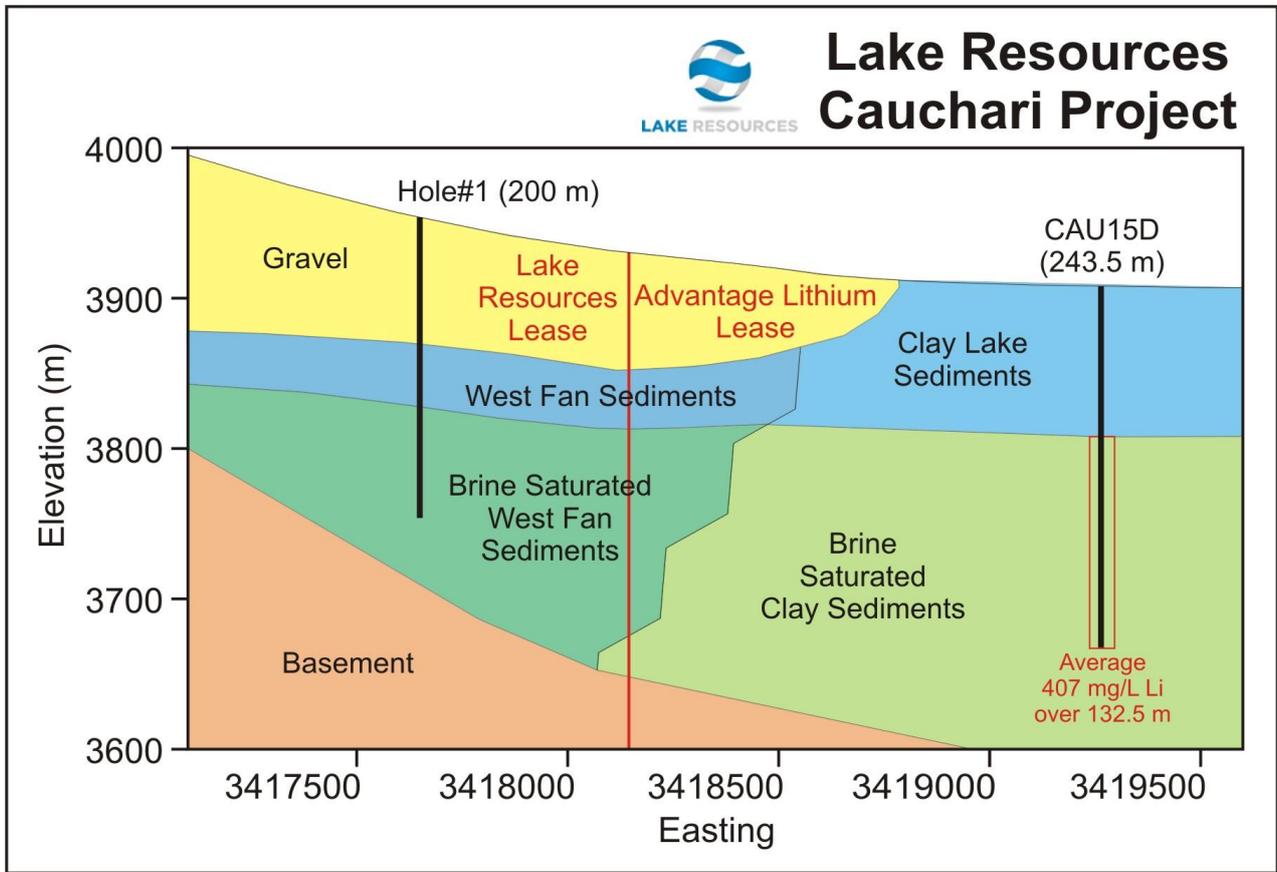


Figure 8. Cross section with targeted high grade brine horizon and third party drill results.



Figure 9. Catamarca Pegmatite Project Area – An example of outcropping pegmatites

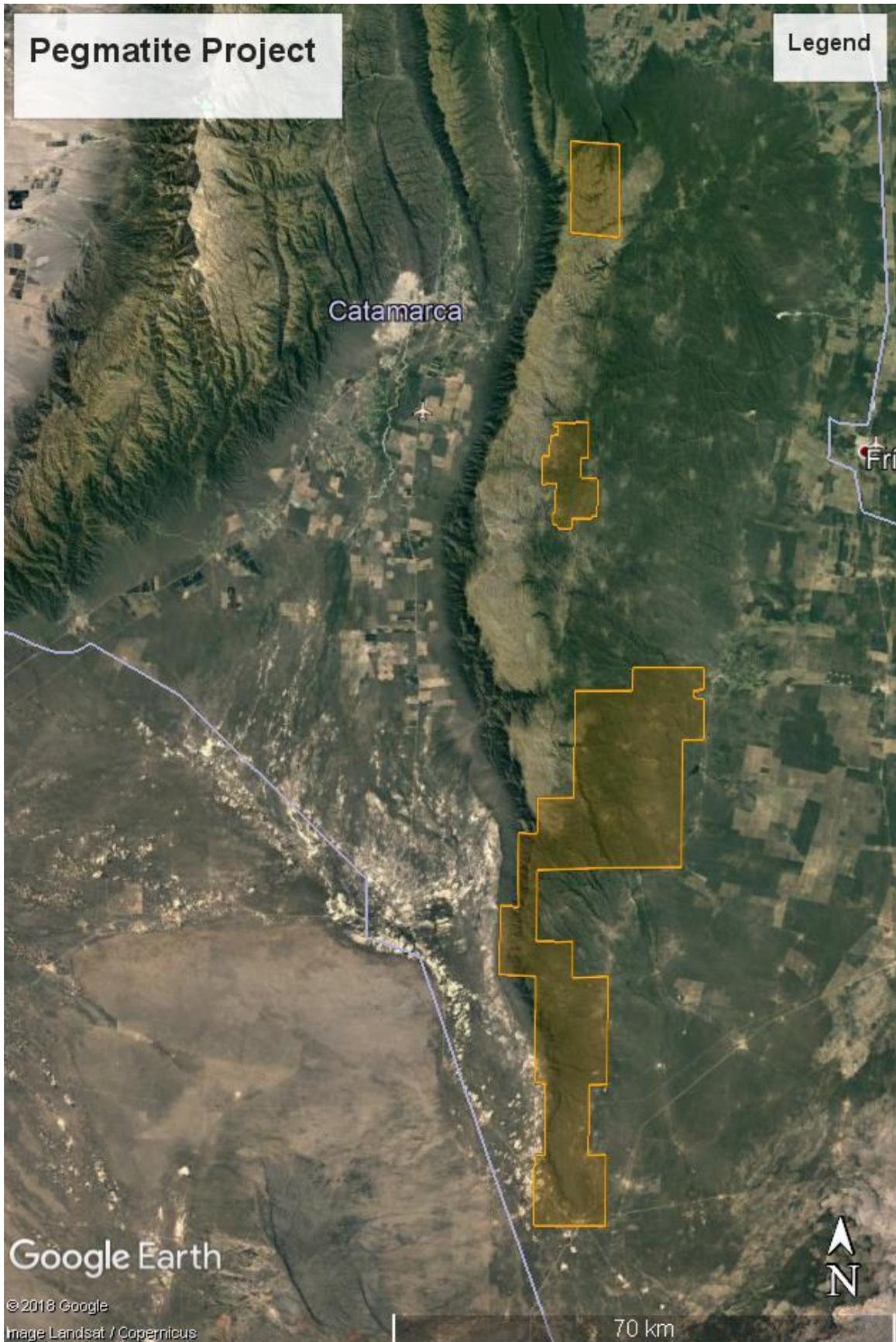


Figure 10. Catamarca Pegmatite Project Area – Extensive leases over 150 kilometres



Figure 11. Olaroz Project Area – Looking west over Olaroz salt lake. Lake leases are in foreground stretching left to right for 30 kilometres

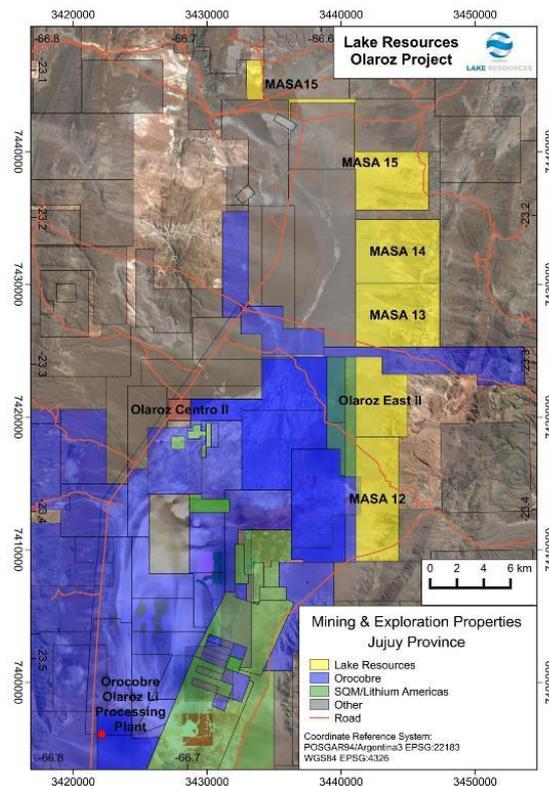


Figure 12: Lake’s Olaroz Lithium Brine Project leases (yellow) in relation to Orocobre leases (blue). Lake leases stretch north-south for 30 kilometres

Table 1 Report: Kachi Lithium Brine Project

Criteria	Section 1 - Sampling Techniques and Data
<i>Sampling techniques</i>	<ul style="list-style-type: none"> • Brine samples were taken from the diamond drill hole with a bottom of hole spear point during advance and using a straddle packer device to obtain representative samples of the formation fluid by purging a volume of fluid from the isolated interval, to minimize the possibility of contamination by drilling fluid then taking the sample. Low pressure airlift tests are used as well. The fluid used for drilling is brine sourced from the drill hole and the return from drillhole passes back into the excavator dug pit lined to avoid leakage. • The brine sample was collected in a clean plastic bottle (1 litre) and filled to the top to minimize air space within the bottle. A duplicate was collected at the same time for storage and submission of duplicates to the laboratory. Each bottle was taped and marked with the sample number. • Drill core in the hole was recovered in 1.5 m length core runs in core split tubes to minimize sample disturbance. • Drill core was undertaken to obtain representative samples of the sediments that host brine.
<i>Drilling techniques</i>	<ul style="list-style-type: none"> • Diamond drilling with an internal (triple) tube was used for drilling. The drilling produced cores with variable core recovery, associated with unconsolidated material, in particularly sandy intervals. Recovery of these more friable sediments is more difficult with diamond drilling, as this material can be washed from the core barrel during drilling. • Rotary drilling has used 8.5” or 10” tricone bits and has produced drill chips. • Brine has been used as drilling fluid for lubrication during drilling.
<i>Drill sample recovery</i>	<ul style="list-style-type: none"> • Diamond drill core was recovered in 1.5m length intervals in the drilling triple (split) tubes. Appropriate additives were used for hole stability to maximize core recovery. The core recoveries were measured from the cores and compared to the length of each run to calculate the recovery. Chip samples are collected for each metre drilled and stored in segmented plastic boxes for rotary drill holes. • Brine samples were collected at discrete depths during the drilling using a double packer over a 1 m interval (to isolate intervals of the sediments and obtain samples from airlifting brine from the sediments within the packer). • As the brine (mineralisation) samples are taken from inflows of the brine into the hole (and not from the drill core – which has variable recovery) they are largely independent of the quality (recovery) of the core samples. However, the permeability of the lithologies where samples are taken is related to the rate and potentially lithium grade of brine inflows.
<i>Logging</i>	<ul style="list-style-type: none"> • Sand, clay, silt, salt and cemented rock types was recovered in a triple tube diamond core drill tube, or as chip samples from rotary drill holes, and examined for geologic logging by a geologist and a photo taken for reference. • Diamond holes are logged by a senior geologist who also supervised taking of samples for laboratory porosity analysis as well as additional physical property testing. • Logging is both qualitative and quantitative in nature. The relative proportions of different lithologies which have a direct bearing on the overall porosity, contained and potentially extractable brine are noted, as are more qualitative characteristics such as the sedimentary facies and their relationships. When cores are split for sampling they are photographed.
<i>Sub-sampling techniques and sample preparation</i>	<ul style="list-style-type: none"> • Brine samples were collected by packer and spear sampling methods, over a metre. Low pressure airlift tests are used as well to purge test interval and gauge potential yields. • The brine sample was collected in one-litre sample bottles, rinsed and filled with brine. Each bottle was taped and marked with the sample number.
<i>Quality of assay data and laboratory tests</i>	<ul style="list-style-type: none"> • The Alex Stewart Argentina/Norlab SA in Palpala, Jujuy, Argentina, is used as the primary laboratory to conduct the assaying of the brine samples collected as part of the sampling program. The SGS laboratory in Buenos Aires has also been used for both primary and check samples. They also analyzed blind control samples and duplicates in the analysis chain. The Alex Stewart/Norlab SA laboratory and the SGS laboratory are ISO 9001 and ISO 14001 certified, and are specialized in the chemical analysis of brines and inorganic salts, with experience in this field. This includes the oversight of the experienced Alex Stewart Argentina S.A. laboratory in Mendoza, Argentina, which has been operating for a considerable period. • The quality control and analytical procedures used at the Alex Stewart/Norlab SA laboratory or SGS laboratory are considered to be of high quality and comparable to those employed by ISO certified laboratories specializing in analysis of brines and inorganic salts.
<i>Verification of sampling and assaying</i>	<ul style="list-style-type: none"> • Field duplicates, standards and blanks will be used to monitor potential contamination of samples and the repeatability of analyses. Accuracy, the closeness of measurements to the “true” or accepted value, will be monitored by the insertion of standards, or reference samples, and by check analysis at an independent (or umpire) laboratory. • Duplicate samples in the analysis chain were submitted to Alex Stewart/Norlab SA or SGS laboratories as unique samples (blind duplicates) during the process

	<ul style="list-style-type: none"> Stable blank samples (distilled water) were used to evaluate potential sample contamination and will be inserted in future to measure any potential cross contamination Samples were analysed for conductivity using a hand held Hanna pH/EC multiprobe. Regular calibration using standard buffers is being undertaken.
<i>Location of data points</i>	<ul style="list-style-type: none"> The diamond drill hole sample sites and rotary drill hole sites were located with a hand held GPS. The properties are located at the junction of the Argentine POSGAR grid system Zone 2 and Zone 3 (UTM 19) and in WGS84 Zone 19 south.
<i>Data spacing and distribution</i>	<ul style="list-style-type: none"> Brine samples were collected over 1m intervals every 6 m intervals within brine producing aquifers, where this was possible.
<i>Orientation of data in relation to geological structure</i>	<ul style="list-style-type: none"> The salt lake (<i>salar</i>) deposits that contain lithium-bearing brines generally have sub-horizontal beds and lenses that contain sand, gravel, salt, silt and clay. The vertical diamond drill holes will provide a better understanding of the stratigraphy and the nature of the sub-surface brine bearing aquifers
<i>Sample security</i>	<ul style="list-style-type: none"> Samples were transported to the Alex Stewart/Norlab SA laboratory or SGS laboratory for chemical analysis in sealed 1-litre rigid plastic bottles with sample numbers clearly identified. Samples were transported by a trusted member of the team. The samples were moved from the drillhole sample site to secure storage at the camp on a daily basis. All brine sample bottles sent to the laboratory are marked with a unique label not related to the location.
<i>Review (and Audit)</i>	<ul style="list-style-type: none"> No audit of data has been conducted to date. However, the CP has been onsite periodically during the programme. The review included drilling practice, geological logging, sampling methodologies for water quality analysis and, physical property testing from drill core, QA/QC control measures and data management. The practices being undertaken were ascertained to be appropriate.
Criteria	Section 2 - Mineral Tenement and Land Tenure Status
<i>Mineral tenement and land tenure status</i>	<ul style="list-style-type: none"> The Kachi Lithium Brine project is located approximately 100km south-southwest of FMC's Hombre Muerto lithium operation and 45km south of Antofagasta de la Sierra in Catamarca province of north western Argentina at an elevation of approximately 3,000m asl. The project comprises approximately 51,770 Ha in twenty seven mineral leases (minas) of which five leases (9,445 Ha) are granted for drilling, twenty leases are granted for initial exploration (39,575 Ha) and two leases (2750 Ha) are applications pending granting. The tenements are believed to be in good standing, with payments made to relevant government departments.
<i>Exploration by other parties</i>	<ul style="list-style-type: none"> Marifil Mines Ltd conducted sparse near-surface pit sampling of groundwater at depths less than 1m during 2009. Samples were taken from each hole and analysed at Alex Stewart laboratories in Mendoza Argentina. Results were reported in an NI 43-101 report by J. Ebisch in December 2009 for Marifil Mines Ltd. NRG Metals Inc recently commenced exploration in adjacent leases under option. An initial diamond drillhole intersected lithium bearing brines from 172-198m and below with best results to date of 15m at 229 mg/L Lithium, reported in December 2017. A VES ground geophysical survey was completed prior to drilling. A NI 43-101 report was released in February 2017. No other exploration results were able to be located
<i>Geology</i>	<ul style="list-style-type: none"> The known sediments within the <i>salar</i> consist of salt/halite, clay, sand and silt horizons, accumulated in the <i>salar</i> from terrestrial sedimentation and evaporation of brines. Brines within the Salt Lake are formed by solar concentration, interpreted to be combined with warm geothermal fluids, with brines hosted within sedimentary units. Geology was recorded during the diamond drilling and from chip samples in rotary drill holes/
<i>Drill hole Information</i>	<ul style="list-style-type: none"> Lithological data was collected from the holes as they were drilled and drill cores or chip samples were retrieved. Detailed geological logging of cores is ongoing. All drill holes are vertical, (dip -90, azimuth 0 degrees).
<i>Data aggregation methods</i>	<ul style="list-style-type: none"> Assay averages have been provided where multiple sampling occurs in the same sampling interval.
<i>Relationship between mineralisation widths and intercept lengths</i>	<ul style="list-style-type: none"> N/A pending results
<i>Diagrams</i>	<ul style="list-style-type: none"> A drill hole location plan is provided showing the locations of the drill holes.
<i>Balanced reporting</i>	<ul style="list-style-type: none"> Brine assay results are available from 7 drill holes from the drilling to date, reported here. Information will be provided as it becomes available.
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> There is no other substantive exploration data available regarding the project.
<i>Further work</i>	<ul style="list-style-type: none"> The company is undertaking a 1000m maiden diamond drilling programme and 2000m maiden rotary water well drilling programme which may be expanded based on results. Ongoing ground geophysics will also be undertaken.

SCHEDULE OF TENEMENTS (Appendix 5B)

REF	TENEMENT NAME	NUMBER	AREA H	INTEREST	PROVINCE	STATUS
TOTAL NUMBER TENEMENTS:		TOTAL AREA TENEMENTS:				
51			101,790 Ha			
			79,500 Ha	Optioned		
OLAROZ - CAUCHARI AREA						
	Cauchari Bajo I	2156-D-2016	354	100	Jujuy	Granted
	Cauchari Bajo II	2157-D-2016	354	100	Jujuy	Granted
	Cauchari Bajo III	2158-D-2016	122	100	Jujuy	Granted
	Cauchari Bajo V	2154-D-2016	946	100	Jujuy	Granted
	Cauchari West I	2160-D-2016	1936	100	Jujuy	Granted
	Olaroz Centro II	2164-D-2016	268	100	Jujuy	Application
	Olaroz East II	2168-D-2016	2072	100	Jujuy	Granted
	MASA 12	2234-M-2016	2901	100	Jujuy	Granted
	MASA 13	2235-M-2016	3000	100	Jujuy	Granted
	MASA 14	2236-M-2016	3000	100	Jujuy	Granted
	MASA 15	2237-M-2016	3000	100	Jujuy	Granted
PASO AREA						
	Paso III	2137-P-2016	2787	100	Jujuy	Granted
	Paso VI	2140-P-2016	2208	100	Jujuy	Granted
	Paso X	2144-P-2016	1833	100	Jujuy	Granted
	MASA 9	2231-M-2016	2978	100	Jujuy	Granted
	MASA 16	2238-M-2016	2114	100	Jujuy	Granted
	MASA 17	2239-M-2016	2891	100	Jujuy	Granted
	MASA 18	2240-M-2016	3000	100	Jujuy	Granted
	MASA 19	2241-M-2016	3000	100	Jujuy	Granted
	MASA 20	2242-M-2016	3000	100	Jujuy	Granted
	MASA 21	2243-M-2016	2815	100	Jujuy	Granted
	MASA 22	2244-M-2016	1460	100	Jujuy	Application
	MASA 23	2245-M-2016	1540	100	Jujuy	Application
	23 Mining leases		47579 Ha			
KACHI AREA						
	Kachi Inca	13-D-2016	1273	100	Catamarca	Granted
	Kachi Inca I	16-D-2016	2880	100	Catamarca	Application
	Kachi Inca II	17-D-2016	2823	100	Catamarca	Granted
	Kachi Inca III	47-M-2016	3354	100	Catamarca	Granted
	Kachi Inca IV	46-M-2016	186	100	Catamarca	Application
	Kachi Inca V	45-M-2016	310	100	Catamarca	Application
	Kachi Inca VI	44-M-2016	110	100	Catamarca	Granted
	Dona Amparo I	22-D-2016	3000	100	Catamarca	Granted
	Dona Carmen	24-D-2016	873	100	Catamarca	Granted
	Debbie I	21-D-2016	1501	100	Catamarca	Granted
	Divina Victoria I	25-D-2016	1265	100	Catamarca	Granted
	Daniel Armando	23-D-2016	2115	100	Catamarca	Granted
	Daniel Armando II	97-M-2016	1387	100	Catamarca	Granted
	Maria Luz	34-M-2017	2573	100	Catamarca	Granted
	Maria II	14-D-2016	888	100	Catamarca	Granted
	Maria III	15-D-2016	1395	100	Catamarca	Granted
	Morena 1	72-M-2016	3024	100	Catamarca	Granted
	Morena 2	73-M-2016	2989	100	Catamarca	Granted
	Morena 3	74-M-2016	3007	100	Catamarca	Granted
	Morena 6	75-M-2016	1606	100	Catamarca	Granted
	Morena 7	76-M-2016	2805	100	Catamarca	Granted
	Morena 8	77-M-2016	2961	100	Catamarca	Granted
	Morena 12	78-M-2016	2704	100	Catamarca	Granted
	Morena 13	79-M-2016	3024	100	Catamarca	Granted
	Pampa I	129-S-2013	2312	100	Catamarca	Granted
	Pampa II	128-S-2013	1119	100	Catamarca	Granted
	Pampa III	130-S-2013	477	100	Catamarca	Granted
	Irene	117-P-2008	2250	100	Catamarca	In Process
	28 Mining leases		54211 Ha			
51			101790	100		
CATAMARCA PEGMATITES						
	Petra I, II, III, IV	Cateos	40000	option	Catamarca	Granted
	Petra V, VI, VII, VIII	Cateos	30000	option	Catamarca	Application
	Aguada I, II, III, IV	Minas	9500	option	Catamarca	Application
			79,500 Ha			

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

LAKE RESOURCES N.L.

ABN

49 079 471 980

Quarter ended ("current quarter")

30 SEPTEMBER 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(1,661)	(1,661)
(b) development		
(c) production		
(d) staff costs	(146)	(146)
(e) administration and corporate costs	(445)	(445)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(2,252)	(2,252)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments		
(d) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from the disposal of: (a) property, plant and equipment (b) tenements (see item 10) (c) investments (d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities		

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	804	804
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	(5)	(5)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	799	799

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	1,744	1,744
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,252)	(2,252)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		
4.4 Net cash from / (used in) financing activities (item 3.10 above)	799	799
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	291	291

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	291	1,744
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	291	1,722

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

146

Remuneration and fees paid to Directors

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(950)
9.2 Development	
9.3 Production	
9.4 Staff costs	(165)
9.5 Administration and corporate costs	(95)
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	(1,210)

* As announced to the ASX on 24 September 2018, Long State Investments (New York investor) provided \$1 million financing of the Company's \$0.10 LKEO options.

The funds from Long State were received after quarter end, net of their \$25k advisory fee, currently held under an equity swap agreement.

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced		No changes during the quarter.		
10.2 Interests in mining tenements and petroleum tenements acquired or increased		N/A		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: 
(Company secretary)

Date: **31 OCTOBER 2018**

Print name: **ANDREW BURSILL**

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.