



LAKE RESOURCES N.L. (ASX:LKE)

ASX Market Announcements Office

11 April 2019

CLEANSING NOTICE issued under section 708A(12C)(e) of the Corporations Act 2001 (Cth) (as notionally inserted by ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82 and as modified by ASIC Instrument 19-0331)(“Cleansing Notice”)

Lake Resources NL (ASX: LKE) (**Lake** or the **Company**) announced on 28 February 2019 the completion of a \$1.65 million financing package (**Facility**) via the issue of unsecured convertible securities (**Convertible Notes** or **Securities**) to a North American investor.¹

As announced on 8 March 2019, the Company issued 1,820,500 Convertible Notes under the Facility. The Company has since applied for, and been granted, ASIC relief (refer ASIC Instrument 19-0331) to issue a cleansing notice for the purposes of section 708A(12C)(e) of the *Corporations Act 2001* (Cth) (**Corporations Act**) (as notionally inserted by ASIC Corporations (*Sale Offers: Securities Issued on Conversion of Convertible Notes*) *Instrument 2016/82*) (**Instrument 2016/82**).

The issue of this Cleansing Notice enables the fully paid ordinary shares in the capital of the Company (**Shares**) issued on the conversion of the Convertible Notes issued by the Company on the terms described below to be on-sold to retail investors without further disclosure.

This Cleansing Notice is important and should be read in its entirety. Neither ASIC nor the ASX take responsibility for the contents of this Cleansing Notice.

Background to the ASIC Relief

As the North American investor is a sophisticated investor for the purposes of section 708 of the Corporations Act, the Convertible Notes were issued without disclosure under Part 6D.2 of the Corporations Act.²

Section 708A(12C)(e) of the Corporations Act (as notionally inserted by Instrument 2016/82) broadly allows for the on-sale of securities issued on conversion of convertible notes where, in part, the relevant entity issues a cleansing notice that complies with section 708A(12D) on the same day as, or within 2 business days before, the day on which the convertible notes were issued. The Company applied for ASIC relief to obtain the benefit of Instrument 2016/82 despite not having issued a cleansing notice for the purposes of Instrument 2016/82 on or before the issue of the Convertible Notes. ASIC granted this relief by way of instrument number 19-0331 dated 10 April 2019, which permits the Company to issue a cleansing notice for the purposes of Instrument 2016/82 within two business days of the date of that the instrument.

The issue of this Cleansing Notice therefore enables the Shares to be issued by the Company on the conversion of the Convertible Notes on the terms described below, to be on-sold to retail investors without further disclosure.

¹ Refer the Company's announcement of 28 February 2019 titled "U.S. financial backing to advance lake Resources key projects".

² Refer the Company's announcement of 28 February 2019 titled "U.S. financial backing to advance lake Resources key projects" for further details of the issue of the Securities and the Facility.

Cleansing Notice

This Cleansing Notice sets out the following:

- 1) in relation to the issue of the Convertible Notes:
 - a) the effect of the issue on the Company;
 - b) a summary of the rights and liabilities attaching to the Convertible Notes;
 - c) a summary of the rights and liabilities attaching to the Shares that will be issued on conversion of the Convertible Notes; and
- 2) any information that:
 - a) has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules;
 - b) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - ii) the rights and liabilities attaching to the Shares; and
- 3) any other information relating to the Company's status as a disclosing entity and where certain documents may be obtained.

The effect of the issue on the Company

The principal effects of the issue of the Convertible Notes on the Company were to:

- 1) increase the Company's cash reserves by \$1.65 million (before any expenses associated with the issue of the Convertible Notes);
- 2) increase the number of unlisted unsecured convertible notes (including the Convertible Notes) on issue from 8,250,000 to 10,070,500;
- 3) increase the Company's indebtedness by the amount of the face value of the Convertible Notes (\$1,820,500) plus all accrued and unpaid interest; and
- 4) if the Convertible Notes are converted, either in whole or in part, increase the number of Shares on issue as a consequence of the issue of the Shares on conversion of the Convertible Notes and the liability position of the Company decreasing accordingly.

Rights and liabilities attaching to the Convertible Notes

A summary of the key rights and liabilities attaching to the Convertible Notes (Securities) was set out in the Company's announcement of 28 February 2019, and is reproduced in Schedule 1 of this Cleansing Notice.

Rights and liabilities attaching to Shares issued on conversion of the Convertible Notes

The Shares to be issued on the conversion of the Convertible Notes will rank equally in all respects with all of the Company's existing Shares. The rights attaching to Shares, including the new Shares to be issued on the conversion of the Convertible Notes, are set out in the Company's constitution (**Constitution**) and, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general law.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which can be inspected, free of charge, at the Company's registered office during normal business hours. A broad summary of the rights, privileges and restrictions attaching to all Shares is set out below. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of shareholders.

1) Voting

At a general meeting of the Company on a show of hands, every member present in person, or by proxy, attorney or representative has one vote and upon a poll, every member present in person, or by proxy, attorney or representative has one vote for every fully paid up Share held by them. In the case

of a partly paid share, a fraction of a vote equivalent to the proportion which the amount paid up on that member's share bears to the total amounts paid and payable (excluding amounts credited) on that share.

2) *Dividends*

Subject to law and any special rights and restrictions attached to any Shares:

- a) the directors may declare and pay dividends as appear to them to be justified by the profits of the Company; and
- b) all dividends shall be paid to Shareholders in proportion to the number of Shares held by them irrespective of the amount paid or credited as paid on the Shares on which the dividend is to be paid.

3) *Winding up*

If the Company is wound up and after payment of all debts and satisfaction of liabilities a surplus remain, it may be distributed amongst Shareholders entitled to it in proportion to the number of Shares held by each of them regardless of the amounts paid up on the Shares.

4) *Further Increases in Capital*

Subject to restrictions on the issue or grant of securities contained in the ASX Listing Rules, ASX Settlement Operating Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors have the right to issue shares or grant options over unissued shares to any person and they may do so at such times as they think fit and on the conditions they think fit.

Such shares may have preferred, deferred or other special rights or special restrictions about dividends, voting, return of capital, participation in the property of the Company on a winding up or otherwise, as the directors think fit.

5) *Variation of Rights*

The rights attached to any class of shares may, unless their terms of issue state otherwise, be varied:

- a) with the written consent of the holders of 75% of the shares of the class; or
- b) by a special resolution passed at a separate meeting of the holders of shares of the class.

6) *Transfer of securities*

Generally, the shares and options in the Company will be freely transferable, subject to satisfying the usual requirements of security transfers on the ASX. The Directors may decline to register any transfer of shares but only where permitted to do so under its Constitution or the ASX Listing Rules.

7) *Sale of non-marketable holdings*

The Company may take steps in respect of non-marketable holdings of shares in the Company to effect an orderly sale of those shares in the event that holders do not take steps to retain their holdings.

The Company may only take steps to eliminate non marketable holdings in accordance with the Constitution and the ASX Listing Rules.

8) *Alteration of Constitution*

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

Pro forma balance sheet of the Company taking into account issue of the Securities

Set out below is a pro forma consolidated Statement of Financial Position as at 31 December 2018 for the Company based on the consolidated Statement of Financial Position as at 31 December 2018 for the Company adjusted to reflect the issue of Convertible Notes issued by the Company (exclusive of costs), prepared on the basis of the accounting policies normally adopted by the Company.

The pro forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

The pro forma financial information is not audited. The classification of the allocations between debt and equity for the Securities may change in the future.

Lake Resources NL ACN 079 471 980
Pro forma Statement of Financial Position as at 31 December 2018

	Actual 31- Dec-18	Convertible Notes Issued	Pro forma 31-Dec-18
Current Assets			
Cash and cash equivalents	591,123	1,650,000	2,241,123
Trade and other receivables	201,206	-	201,206
Other assets	80,082	-	80,082
Total Current Assets	872,411	1,650,000	2,522,411
Non-Current Assets			
Investments accounted for using the equity method	35	-	35
Property, plant and equipment	1,529	-	1,529
Exploration and evaluation	9,566,628	-	9,566,628
Total Non-Current Assets	9,568,192	-	9,568,192
Total Assets	10,440,603	1,650,000	12,090,603
Current Liabilities			
Trade and other payables	436,872	-	436,872
Borrowings	280,000	-	280,000
Total Current Liabilities	716,872	-	716,872
Non-current Liabilities			
Borrowings	990,000	-	990,000
Convertible Notes	-	1,820,500	1,820,500
Total Non-current Liabilities	990,000	1,820,500	2,810,500
Total Liabilities	1,706,872	1,820,500	3,527,372
Net Assets	8,733,731	(170,500)	8,563,231
Equity			
Issued capital	21,918,866	-	21,918,866
Reserves	1,319,379	-	1,319,379
Accumulated losses	(14,504,514)	-	(14,504,514)
Total Equity	8,733,731	-	8,733,731

Potential effect on Share Structure

As at the date of this Cleansing Notice, the issued capital of the Company and the options and convertible securities held in respect of the Company, including the Convertible Notes, is as follows:

Type of security	Securities on issue as at the date of this Cleansing Notice
Shares ¹	366,976,803
Unlisted options ²	20,107,083
Convertible notes ³	10,070,500

1: excludes any shares to be issued under the placement announced by the Company on 9 April 2019.

2: excludes any bonus options to be issued as announced by the Company on 8 April 2019.

3: includes the Convertible Notes, which were issued on 8 March 2019 less the retired December 2018 Notes in Appendix 3B on 11 March 2019.

As per the Company's Appendix 3B dated 8 March 2019, the Company has issued 1,820,500 Convertible Notes. The capital structure of the Company will be affected by any conversion of the Convertible Notes, which will result in additional Shares being issued and the liability position of the Company decreasing accordingly.

The Convertible Notes are convertible into Shares based on the conversion formula set out in Schedule 1. The number of Shares issued on conversion will therefore depend on the selected volume weighted average prices (VWAP) for Shares as at the date of conversion. Assuming that all Convertible Notes were converted in accordance with the conversion price at 90% of \$0.060 (the closing price of Shares on 10 April 2019 used for indicative purposes only), then the number of Shares issued on conversion would be 33,712,963 (exclusive of any Shares that could be issued on conversion of any accrued but unpaid interest).

The actual effect on the Share capital of the Company will differ depending on how many Convertible Notes are converted and the volume weighted average price nominated prior to conversion. As at the date of this Cleansing Notice, no Convertible Notes have been converted.

Compliance with disclosure obligations

The Company is a "disclosing entity" under the Corporations Act and, accordingly, is subject to regular reporting and disclosure obligations under both the Corporations Act and the ASX Listing Rules.

These obligations require the Company to notify ASX of information about specific events and matters as they arise. In particular, the Company is obliged to continuously disclose to the market promptly and without delay any information which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a Directors' statement and report, and an audit report or review. The Company is also required to prepare and lodge a quarterly report.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office. The Company will provide a copy of each of the following documents, free of charge, to any person on request:

- 1) the annual financial report most recently lodged by the Company with ASIC, being the financial report of the Company for the year ended 30 June 2018 (**2018 Financial Report**);
- 2) any half-year financial report lodged by the Company with ASIC after the lodgement of the 2018 Financial Report and before the lodgement of this Cleansing Notice with ASX; and
- 3) any continuous disclosure documents given by the Company to ASX after the lodgement of the 2018 Financial Report and before the lodgement of this Cleansing Notice with ASX.

A list of the continuous disclosure documents given by the Company to ASX after the lodgement of the 2018 Financial Report and before the lodgement of this Cleansing Notice is set out in the table below.

Date	Announcement
9/04/2019	Lake raises \$1m in Placement
9/04/2019	Reinstatement To Official Quotation
9/04/2019	Kachi PFS to unlock Lithium Brine Resource - UPDATE
8/04/2019	Issue of Bonus Options to Shareholders
8/04/2019	Suspension from Official Quotation
4/04/2019	Trading Halt
4/04/2019	Pause in Trading
3/04/2019	Kachi PFS to unlock Top 10 Global Lithium Brine Resource
26/03/2019	Cauchari Drilling update
22/03/2019	Cauchari Drilling update
15/03/2019	Half Yearly Report and Accounts
11/03/2019	Appendix 3B
11/03/2019	Cleansing Notice
8/03/2019	Appendix 3B
28/02/2019	U.S financial backing to advance key projects
27/02/2019	Results of Meeting
7/02/2019	Response to ASX Query
31/01/2019	Quarterly Report and Appendix 5B
25/01/2019	Notice of Extraordinary General Meeting/Proxy Form
22/01/2019	LKE Investor Briefing and Webinar
17/01/2019	Investor Presentation
17/01/2019	Cauchari Drilling and Corporate Update
21/12/2018	Appendix 3B
21/12/2018	Financing commitments for Lake Resources
19/12/2018	Appendix 3Y - SC
17/12/2018	Cleansing Notice and Appendix 3B
10/12/2018	Lilac extraction process shows potential
7/12/2018	Appendix 3Y - SC
7/12/2018	Appendix 3Y - SP
3/12/2018	Amended Appendix 3B
30/11/2018	Appendix 3B
27/11/2018	Investor Presentation
27/11/2018	Large maiden 4.4mt LCE resource estimate for Kachi Project
16/11/2018	Notice of expiry of Listed Options
13/11/2018	AGM Results
13/11/2018	2018 AGM Presentation
7/11/2018	Expansion of Leases as Kachi Brine Project continues to grow
5/11/2018	Trading Halt
5/11/2018	Pause in Trading
2/11/2018	Drilling advances at Cauchari Lithium Brine Project
1/11/2018	Quarterly Activities Report and Appendix 5B
29/10/2018	Engineering works confirm high lithium recoveries at Kachi
22/10/2018	Drilling advances at Kachi with consistent assay results
18/10/2018	Drilling underway at Cauchari lithium brine project
12/10/2018	Notice of Annual General Meeting/Proxy Form
11/10/2018	Annual Report to Shareholders 2018
11/10/2018	Corporate Governance Statement and Appendix 4G
10/10/2018	Appendix 3Y - SP
10/10/2018	Appendix 3B
04/10/2018	Drill Rig mobilises to Cauchari
02/10/2018	Change of registered office address
01/10/2018	Full Year Statutory Accounts

Information excluded from the continuous disclosure notice

As at the date of this Cleansing Notice, the Company advises that it has fully complied with its disclosure obligations under the ASX Listing Rules and the Corporations Act, and, in particular, there is no information which the Company has excluded from any of its continuous disclosure notices given in accordance with the ASX Listing Rules and the Corporations Act as at the date of this Cleansing Notice which it would be reasonable for investors and their professional advisors to require for the purpose of making an informed assessment of:

- 1) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- 2) the rights and liabilities attaching to the Convertible Notes and Conversion Shares.

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About 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 hard rock project in Argentina, all owned 100%. The leases are in a prime location 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 (~200,000Ha) secured in 2016 prior to a significant 'rush' by major companies. The large holdings provide the potential to provide consistent security of supply demanded by battery makers and electric vehicle manufacturers.

The Kachi project covers 69,000 ha over a salt lake south of FMC's lithium operation and near Albemarle's Antofalla project in Catamarca Province. Drilling at Kachi has confirmed a large lithium brine bearing basin over 20km long, 15km wide and 400m to 800m deep. Drilling over Kachi (currently 16 drill holes, 3100m) has produced a maiden indicated and inferred resource of 4.4 Mt LCE (Indicated 1.0Mt and Inferred 3.4Mt) within a 8-17 Mt LCE exploration target (refer ASX announcement 27 November 2018).

A direct extraction technique is being tested in partnership with Lilac Solutions, which has shown 80-90% recoveries and lithium brine concentrations in excess of 3000 mg/L lithium and is planned to be trialled on site 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 Olaroz-Cauchari and Paso brine projects are located adjacent to major world class brine projects either in production or being developed in the highly prospective Jujuy Province. 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.

Two drill rigs are currently drilling at Cauchari with results anticipated to extend the proven 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 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. These transactions imply an acquisition cost of US\$55-110 million per 1 million tonnes of lithium carbonate equivalent (LCE) in resources.

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 more information on Lake, please visit <http://www.lakeresources.com.au/home/>

Schedule 1: Summary of key terms of the Convertible Notes (Securities)

Issuer:	Lake Resources N.L. ACN 079 471 980.
Type and class of securities:	The Securities constitute direct, unsubordinated and unsecured debt obligations of the Issuer.
Quotation:	The Securities will be unlisted and accordingly, will not be quoted on ASX.
Conditions:	The obligations of the Investor to subscribe for the securities and advance the funds are subject to the satisfaction of a number of conditions, including but not limited to: <ul style="list-style-type: none"> (a) the Company having existing placement capacity or obtaining shareholder approval for the issue of the Securities; (b) in respect of the Second Investment Amount only, the Company having converted or repaid 75% of the First Investment Securities; and the parties agreeing to the number of Second Investment Securities to be issued.
Funded Amount:	Up to A\$5,000,000 in total. First Investment Amount- \$1,655,000 Second investment Amount - \$500,000 up to \$3,345,000.
Face Value:	The Securities will be issued with a Face Value of \$1.00
Status and Ranking:	The Securities rank equally amongst themselves and at least equally with all other direct, unsubordinated and unsecured obligations of the Issuer.
Negative Pledge:	The Securities will have the benefit of a negative pledge as regards the encumbrance of its present and future assets or revenues. Security may be granted where the Company obtains the prior consent of the Investor or grants security to the Investor on equal terms with any new security interest (Negative Pledge). The Investor may elect for the Securities to be repaid in part where the Company intends to enter into arrangements such as incurring any debt in excess of that existing at the issue date, for more than \$300,000, materially changing or ceasing to carry on its business.
Transfer:	The Securities are initially non-transferrable, except to other Sophisticated Investors or Professional Investors (within the meaning of the Corporations Act). The Issuer may, at its discretion, issue a prospectus pursuant to section 713 of the Corporations Act to facilitate further transferability of the Securities.
Conversion:	The Securities may be converted into fully paid ordinary shares in the Issuer (Shares) within 5 Business Days of receipt of a conversion notice from the Investor The Securities will be Converted in accordance with the following formula: Number of Shares = ARA / Conversion Price Where: ARA means the aggregate of the Repayment Amount of the Convertible Security being converted by the Investor, plus any accrued (but unpaid) Interest which is due and payable on the Conversion Date. Conversion Price means 90% of three VWAP's of the Shares selected by the Investor for the 20 Trading Days ending on the date of the Conversion Notice.
No Shorting:	The Investor will not, and will cause its affiliates not to, engage in shorting of the Company shares while the Convertible Securities Agreement is in place.
First Investment Amount	
Interest Rate:	The Securities issued under the First Investment Amount attract interest at 15% per annum, compounded monthly, payable quarterly in advance in cash.
Maturity Date:	The Securities will mature on the date that is 18 months from their date of issue.
Options:	The Investor will initially be issued 5,555,000 options exercisable at \$0.09 in connection with the First Investment Amount.
Second Investment Amount	
Second investment:	A further \$500,000 up to \$3,345,000 of unsecured convertible securities may be offered to the Issuer subject to certain conditions and mutual agreement.

Maturity Date:	12 months from the date of issue of the Securities
Options:	The number of Options equal to 50% of the Second Investment Amount priced at 120% of the market price of the Company's Shares before the issue of the second Investment Securities.