

# **Lake Resources NL**

**ABN 49 079 471 980**

## **Interim Report - 31 December 2019**

Directors	Stuart Crow - Non-executive Chairman Steve Promnitz - Managing Director Nicholas Lindsay - Non-executive Director Robert Trzebski – Non-executive Director (Appointed 10 December 2019)
Company secretary- Joint	Sinead Teague (Appointed 2 July 2019); Garry Gill (Appointed 31 Oct 2019); Andrew Bursill (Resigned 2 July 2019);
Registered office and Principal Place of Business	Level 5 126 Phillip Street Sydney NSW 2000 Tel: +61 2 9299 9690
Share register	<div> Automic Registry (Commenced 23 Sept 2019)  Level 5  126 Phillip St  Sydney NSW 2000  Tel: 1300 288 664; +61 2 8072 1400 </div> <div> Link Market Services Limited  Level 12 (Ceased 22 Sept 2019)  680 George Street  Sydney NSW 2000  Tel: +61 2 8280 7111 </div>
Auditor	Stanley & Williamson
Solicitors	HopgoodGanim
Bankers	National Australia Bank
Stock exchange listing	Lake Resources NL shares are listed on the Australian Securities Exchange (ASX code: LKE)
Website	<a href="http://www.lakeresources.com.au">www.lakeresources.com.au</a>

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 2019.

### **Directors**

The following persons were Directors of Lake Resources NL during the whole of the period and up to the date of this report, unless otherwise stated:

S. Crow (Non-Executive Chairman)  
S. Promnitz (Managing Director)  
N. Lindsay (Non-Executive Director)  
R. Trzebski (Non-executive Director) (Appointed 10 December 2019)

### **Principal activities**

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

- Exploration and development of lithium brine projects in Argentina
- Exploration for minerals.

Lake holds three lithium brine projects in Argentina including one project, Kachi, moving into pre-production with the construction of a direct extraction pilot plant. Lake holds one of the largest lease holdings of lithium in the heart of the Lithium Triangle in South America.

During the half-year ended 31 December 2019, Lake advanced its 100% owned Kachi Lithium Brine Project in Argentina. In partnership with Lake's technology provider, Lilac Solutions, a pilot plant was being constructed using a new, disruptive, direct extraction process using ion exchange. Post the financial half-year end, high purity battery grade lithium carbonate was produced and the financial supporters of the technology partner were announced which included funds supported by the best known billionaires. Samples for potential off-takers will be produced from this pilot plant. The Company also advanced and has neared the completion of a Pre-Feasibility Study over the Kachi Project using lab results of the direct extraction process to be released in late March 2020. The Kachi Project hosts a large JORC Mineral Resource (Indicated and Inferred) of 4.4 million tonnes Lithium Carbonate Equivalent (LCE). The project together with the technology offers future sustainable and scalable lithium production, demanded by the larger Electric Vehicle makers and an increasing number of battery/cathode makers.

At the Cauchari Lithium Brine Project in Argentina, a successful drilling programme was completed, which has shown lithium brines over a wide interval (506m) with high grades (averaging 493 mg/L lithium from 117- 460m) with up to 540 mg/L lithium. These results are similar to lithium brines in adjoining leases scheduled for production in late 2020 and infer an extension and continuity of these brines into Lake's 100% owned leases.

Corporate acquisitions continue to support the underlying valuation of Lake's projects. At the Cauchari project, adjoining Lake's leases, Ganfeng Lithium increased their equity to 51% from 50% for US\$16 million, and Advantage Lithium is being actively acquired by Orocobre in an all-scrip bid which values the leases adjoining Lake at around A\$110 million.

### **Dividends**

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

### **Review of operations**

The loss for the half-year for the consolidated entity after providing for income tax amounted to \$2,308,838 (31 December 2018: \$1,210,673).

## Corporate

A major advance was made recently towards future, efficient, sustainable and scalable lithium production of high purity lithium carbonate (with low impurities) using a new disruptive direct extraction technology in partnership with Lake's technology provider, Lilac Solutions.

Lake is developing its flagship Kachi Lithium Brine Project towards pre-production of high purity lithium products by demonstrating the efficiency of the direct extraction process in a pilot plant in California. The pilot plant has been developed and tested, with the plan to transport it to site and operate at Kachi.

Battery grade lithium carbonate (99.9% purity) with very low impurities was produced from the pilot plant and announced in January 2020 from lithium bearing brines sourced from the Kachi Project. The very low impurity products exceed current high 99.5% standards demanded by battery/cathode makers. Larger volume samples are expected to be delivered from April 2020 onwards to a number of downstream participants for customer qualification purposes for off-takers.

A Pre-Feasibility Study (PFS) is near completion over the Kachi Lithium Brine Project, which hosts a major resource. Data from the pilot plant together with the PFS will be incorporated into detailed studies, leading to the approval process for a large 25,000tpa lithium carbonate equivalent (LCE) production plant, which could be operating in 2023, probably with a staged start at 10,000tpa, with production costs expected in the lower part of the cost curve for the industry.

Lake's Cauchari Project in Jujuy Province was drilled for the first time in 2019 and confirmed similar grades and lithium brines extend into Lake's properties from the adjoining Ganfeng/ Lithium Americas Cauchari project which is rapidly progressing to production in late 2020 at 40,000tpa LCE. The pilot plant, once having completed activities at Kachi, could be then used for the Cauchari project, or at Lake's mining titles at the Olaroz project, adjoining Orocobre's production (ASX:ORE).

The flagship Kachi project and new discovery at Cauchari are well located within the heart of South America's Lithium Triangle where 40% of the world's lithium is produced at the lowest cost. Lake continues to be one of the largest lease holders (~200,000 hectares) of lithium brine and hard rock projects in Argentina of any listed entity with more than one major project nearing pre-production. While short-term lithium pricing has depressed market sentiment, low cost lithium brine production is increasingly considered attractive as a growing supply deficit in the early 2020s requires new investment for consistent scalable supply of low impurity lithium products.

The Company had 529,532,086 ordinary shares (including 15,000,000 Treasury shares) on issue at 31 December 2019. Listed Options include 52,512,693 options with an exercise price of \$0.10 (expiry June 2021). Unlisted options include 18,300,000 options with an exercise price of \$0.046 (expiry October 2022), 5,555,000 options with an exercise price of \$0.08 (expiry Feb 2022), 15,000,000 options with an exercise price of \$0.00 (expiry July 2021) and 9,500,000 unlisted options with an exercise price of \$0.28 (expiry 31 December 2020). (Converted Bonus Options have an attached second option (Additional Options) which were issued in August 2019 as listed options with an exercise price \$0.10 each, expiring on 15 June 2021.) 15,000,000 performance shares with various hurdles were approved at the shareholder meeting in August 2019.

A\$1.65 million unsecured convertible security, announced 28 February 2019, was extended to a second tranche of A\$1.5 million in October 2019 with SBI Investments (PR), LLC, a US based investor. At half-year end, the principal outstanding of the unsecured convertible securities included 1,850,000 notes (expiry Oct 2020). The Company executed an early close out of the convertible securities facility in February 2020. The two-tranche convertible securities funding facility was to provide bridging capital for project development and exploration activities for the Company.

The London headquartered financial advisor, SD Capital Advisory Limited, was appointed in October 2019 to secure debt funding of up to US\$25 million for pre-production, definitive feasibility studies (DFS), permitting and pre-production of lithium products from the first stage of a commercial plant from the Kachi Lithium Brine and Cauchari Lithium Brine Projects in Argentina (see announcement 9 October 2019). SD Capital Advisory Limited has focused on obtaining debt finance for the development of the Kachi Lithium Brine Project given the anticipated release of the Pre-Feasibility Study (PFS) in late March. Lake is assessing a range of funding solutions through debt or investment directly at the project level in order to minimise any potential dilution to Lake's equity investors.

Lake Resources gained a secondary compliance listing on the OTC QB market with the ticker code LLKKF in December 2019. Compliance requirements are essentially the same as the requirements on the ASX and disclosure are automatically uploaded onto the OTC platform. The company is working to establish a DTC to allow real time electronic trading.

## Operations

### Argentina

#### Kachi Lithium Brine Project - Catamarca Province, Argentina

Lake Resources' 100%-owned Kachi Lithium Brine Project in Catamarca province, NW Argentina, covers 37 mining leases (70,400 hectares), 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 is located at ~3000 m altitude, south of Livent's Hombre Muerto Lithium brine operation (NYSE: LTHM) which is Argentina's longest operating lithium brine project and Galaxy Resources (GXY.ASX) Limited's Sal de Vida lithium brine project.

Lake is moving to pre-production of high purity lithium products in 2020 product from a pilot plant (under construction) using an efficient, disruptive and low-cost direct extraction technology from our partner, Lilac Solutions, in California. The pilot plant, which has been designed by Silicon Valley-backed Lilac Solutions and international engineering company Hatch, will demonstrate a ground-breaking direct extraction ion exchange process on brines produced at Kachi. The first module of the plant has already been completed and tested, and when all modules are tested, the pilot plant will be transported for operation on site at Lake's Kachi Lithium Brine Project

A pre-feasibility study (PFS) is near completion over the Kachi Lithium Brine Project, with a combined resource of 4.4 million tonnes lithium carbonate (LCE) (including a 1.0Mt LCE indicated resource) within consolidated mining leases of 70,000 hectares over almost an entire salt lake within a much larger exploration target (refer ASX announcement 27 November 2018). This positions the project among Top 10 lithium brine resources globally.

The pilot plant has been designed in modules to produce concentrate for either lithium hydroxide or lithium carbonate, or intermediate products of lithium sulphate and/or lithium chloride, at approximately 10 tonnes per year. While lab testing has shown that lithium concentrations of 30-60,000 mg/L lithium can be produced from brines of ~300 mg/L lithium in a few hours using the Lilac process, the design is based on more than 6 months (1,000 cycles) of test work on Kachi brines which have shown excellent performance with high selectivity and durability. This includes high recoveries (80 to 90%) compared to conventional brine operations in South America with typical lithium recoveries below 50% over 9 to 18 months. Results from lab testing have been incorporated into the PFS. An international engineering firm, Hatch, is providing the engineering for the PFS.

Significantly, Lilac's direct extraction process offers a sustainable solution for Lake Resources. The technology is environmentally friendly, as the salty water (brine) is reinjected into the aquifer once the lithium has been removed. Traditional evaporation ponds are not required. This offers a potential ethical, sustainable solution for an industry at the forefront of the global clean energy revolution. This addresses increasing interest from electric vehicle makers (OEM's) and battery makers to demonstrate they have access to a sustainable scalable supply chain for raw materials.

The Company received a vote of confidence from authorities in Argentina recently, with meetings with provincial governors and regulators reaffirming their support for lithium development and exploration, including Lake's Kachi Lithium Brine Project in Catamarca Province (refer ASX announcement 16 Jan 2020). The meetings held with governors and regulators in Jujuy, Catamarca and in Buenos Aires, focused on the need to secure new forms of export income in each of the lithium provinces and under the direction of the new federal government. This included support for lithium development and exploration, while ensuring environmentally and socially responsible development in line with international best practice. This follows similar comments made in meetings prior to the recent elections. The recent talks included members of Lake's local subsidiary, Morena del Valle S.A, a company established in Catamarca for the Kachi Project which employs primarily local people.

The table below (Table 1) outline the resource reported on 27 November 2018 in accordance with the JORC Code (2012) and estimated by a Competent Person as defined by the JORC Code. The resource estimate has not changed materially from November 2018 to 30 June 2019.

**Table 1: Kachi Mineral Resource Estimate - November 2018 (JORC Code 2012 Edition)**

RESOURCE ESTIMATE KACHI						
	Indicated		Inferred		Total Resource	
Area km <sup>2</sup>	17.10		158.30		175.40	
Aquifer volume km <sup>3</sup>	6		41		47	
Brine volume km <sup>3</sup>	0.65		3.2		3.8	
Mean drainable porosity % (Specific yield)	10.9		7.5		7.9	
Element	Li	K	Li	K	Li	K
Weighted mean concentration mg/L	289	5,880	209	4,180	211	4380
Resource tonnes	188,000	3,500,000	638,000	12,500,000	826,000	16,000,000
<b>Lithium Carbonate Equivalent tonnes</b>	<b>1,005,000</b>		<b>3,394,000</b>		<b>4,400,000</b>	
<b>Potassium Chloride tonnes</b>	<b>6,705,000</b>		<b>24,000,000</b>		<b>30,700,000</b>	

Lithium is converted to lithium carbonate (Li<sub>2</sub>CO<sub>3</sub>) with a conversion factor of 5.32  
Potassium is converted to potassium chloride (KCl) with a conversion factor of 1.91  
Mg/Li ratio averages 4.7

#### 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 is repeated in an ASX announcement of 20 November 2018 by Lake Resources and is an accurate representation of the available data from initial exploration at the Kachi project.*

#### 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, both 100% owned by Lake. First drilling occurred in early 2019 at Lake's 100% owned Cauchari Lithium Brine Project. Confirmation of multiple high-grade lithium brines over 506m interval (102m to 608m depth) was demonstrated in results returned in late August 2019. This drilling confirmed similar grades and lithium brines extending into Lake's properties from the adjoining Ganfeng/ Lithium Americas Cauchari project (NYSE: LAC) which is rapidly progressing to production in late 2020 at 40,000tpa LCE. The high-grade results averaged\* 493 mg/L lithium over 343m (from 117m to 460m), up to 540 mg/L, with a Li/Mg ratio of 2.9.

The major adjoining Cauchari project of Ganfeng/Lithium Americas has a Measured and Indicated Resource of 17.9Mt LCE at 581 mg/L lithium for a 23MT total resource (Apr 2019 NI 43-101) (3). This resource was doubled in size in April 2019 to become the largest in the world. Lake's results lead to an interpretation of an extension of the adjoining lithium brines in the same basin, only with a marginal difference in grade. Ganfeng paid US\$160 million in April to increase its stake to 50% in the Cauchari project of Lithium Americas, after paying US\$237 million last August to acquire a position of 34% (including debt). Lake's project also adjoins the Advantage Lithium / Orocobre Cauchari project which has a Measured and Indicated Resource of 4.8Mt LCE at 476 mg/L lithium for a 6.3MT total resource (March 2019 NI 43-101) (4) and has released a PFS (Nov 2019).

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. Drilling is anticipated when all planned holes are approved.

### **Catamarca Pegmatite Project – Catamarca Province, Argentina**

The Company has lease holdings and applications over 80,000 hectares of outcropping pegmatites with lithium potential within Catamarca Province in NW Argentina, held through the local subsidiary Petra Energy SA, fully acquired during the previous financial year. Exploration is still at an early stage over a 150-kilometre-long belt which favourably hosts significant lithium mineralisation as spodumene in large pegmatite swarms, with prior small-scale production. The lithium pegmatites are part of a belt of pegmatite swarms 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 the copper-gold Chagai Project in Pakistan, situated in the Tethyan magmatic arc, which hosts a number of world-class copper-gold deposits including the Saindak copper-gold mine and the giant Reko Diq copper-gold deposits. Previously, Colt Resources Middle East (CRME) and Aamir Resources Consultants could earn a majority interest in the Chagai project through exploration expenditure of US\$1.9 million by 2018, but this has not been possible due to the lack of government security clearances for key personnel, among other issues. 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 period, no significant exploration activities were undertaken although further discussions are planned.

### **Significant changes in the state of affairs**

A private placement was announced in January 2020, which was upsized to \$3.6 million in March 2020, before costs, through the issue of approximately 91.4 million shares at an issue price of \$0.04, to sophisticated and professional investors (Placement) using existing placement capacity under ASX Listing Rules 7.1 and 7.1A.

A Share Purchase Plan (SPP) Offer was announced on 10 February 2020 for all Eligible Shareholders on the Record Date of 7 February 2020 to participate by subscribing for up to \$30,000 worth of new Shares at an issue price of \$0.04 per Share to raise up to \$1.5 million which was later upsized to \$2.5 million due to demand. The SPP Offer closed on 13 March 2020. The SPP Offer was made under a Prospectus which the Company lodged on 10 February 2020 and updated in two later supplementary prospectus.

These significant changes were subsequent to the end of the financial year.  
There were no other significant changes in the state of affairs of the consolidated entity during the half financial year.

### **Matters subsequent to the end of the financial half year**

The Company entered into a formal agreement with SBI Investments (PR), LLC, for the early close out of the Convertible Securities funding facility, through a combination of both a cash payment and the issue of shares to SBI (which included an equity based fee in consideration for the facility's early termination). Under the agreement, the Company made a cash payment of A\$1,959,615 by 20 February 2020 and issued SBI with 11,558,021 ordinary shares on 11 February 2020.

During February and March 2020, 91.4 million new shares were issued at \$0.04 per ordinary share by way of private placement for \$3.6 million.

Funds raised through the Placement and the SPP will be used by Lake to make part of the cash payment required for the early close-out of the Convertible Securities facility, produce further high purity samples from the pilot plant for downstream participants (off-takers) to conduct qualification testing using the Lilac direct extraction process, the development, construction, transport and operation of the direct extraction pilot plant, the completion of the Pre-Feasibility Study (PFS), general exploration, the costs of the SPP Offer and the Placement, and to provide additional working capital

The Company also negotiated short term unsecured debt facilities totalling \$800,000, part of which was applied to the cash payment for the early close out and termination of the Convertible Securities Facility.

No other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

**Auditor's independence declaration**

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

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

On behalf of the directors

A handwritten signature in black ink, appearing to read 'Steve Promnitz', with a stylized flourish at the end.

Steve Promnitz  
Managing Director

17 March 2020

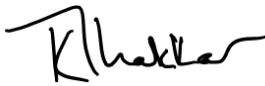


## Auditor's Independence Declaration

As lead auditor for the review of Lake Resources N.L. for the half-year ended 31 December 2019, 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**

**17 March 2020**

**Contents**

<b>Statement of profit or loss and other comprehensive income</b>	<b>10</b>
<b>Statement of financial position</b>	<b>11</b>
<b>Statement of changes in equity</b>	<b>12</b>
<b>Statement of cash flows</b>	<b>13</b>
<b>Notes to the financial statements</b>	<b>14</b>
<b>Directors' declaration</b>	<b>20</b>
<b>Independent auditor's report to the members of Lake Resources NL</b>	<b>21</b>

**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:

Level 5, 126 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 by a resolution of directors, on 17 March 2020. The directors have the power to amend and reissue the financial statements.

**Lake Resources NL**  
**Statement of profit or loss and other comprehensive income**  
**For the half year ended 31 December 2019**



		<b>Consolidated</b>	
		<b>31 December 2019</b>	<b>31 December 2018</b>
		<b>\$</b>	<b>\$</b>
<b>Expenses</b>			
Depreciation and amortisation expense		(549)	(336)
Administrative expenses		(104,318)	(139,489)
Corporate expenses		(693,720)	(573,315)
Employee benefit expenses		(238,593)	(262,020)
Share based payments expense	10	(772,979)	-
Consultancy and legal costs		(421,948)	(185,513)
Finance costs		(51,093)	(50,000)
		<hr/>	<hr/>
		(2,283,199)	(1,210,673)
<b>Loss before income tax expense</b>			
Income tax expense		(25,639)	-
		<hr/>	<hr/>
<b>Loss after income tax expense for the half year attributable to the owners of Lake Resources NL</b>		(2,308,838)	(1,210,673)
Other comprehensive income for the half year, net of tax		-	-
		<hr/>	<hr/>
<b>Total comprehensive income for the half year attributable to the owners of Lake Resources NL</b>		<u>(2,308,838)</u>	<u>(1,210,673)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	9	(0.45)	(0.37)
Diluted earnings per share	9	(0.45)	(0.37)

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

Note	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	190,229	1,725,366
Trade and other receivables	191,972	151,679
Other current assets	59,011	54,687
Total current assets	<u>441,212</u>	<u>1,931,732</u>
<b>Non-current assets</b>		
Investments accounted for using the equity method	35	35
Property, plant and equipment	863	1,198
Exploration and evaluation	3 15,436,386	13,312,658
Total non-current assets	<u>15,437,284</u>	<u>13,313,891</u>
<b>Total assets</b>	<u>15,878,496</u>	<u>15,245,623</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	596,106	1,320,203
Employee benefits	67,728	55,492
Borrowings	4 1,905,811	1,428,079
Total current liabilities	<u>2,569,645</u>	<u>2,803,774</u>
<b>Total liabilities</b>	<u>2,569,645</u>	<u>2,803,774</u>
<b>Net assets</b>	<u>13,308,851</u>	<u>12,441,849</u>
<b>Equity</b>		
Issued capital	5 30,161,466	27,758,605
Reserves	6 2,281,000	1,508,020
Accumulated losses	(19,133,614)	(16,824,776)
<b>Total equity</b>	<u>13,308,851</u>	<u>12,441,849</u>

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

**Lake Resources NL**  
**Statement of changes in equity**  
**For the half year ended 31 December 2019**



	Issued capital \$	Reserves \$	Accumulated Losses \$	Total equity \$
<b>Consolidated</b>				
Balance at 1 July 2018	18,342,102	1,757,605	(13,594,567)	6,505,140
	-	-	-	-
Loss after income tax expense for the half year	-	-	(1,210,673)	(1,210,673)
Other comprehensive income for the half year r, net of tax	-	-	-	-
Total comprehensive income for the half year	-	-	(1,210,673)	(1,210,673)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	1,672,264	-	-	1,672,264
Share-based payments	1,767,000	-	-	1,767,000
Transfer to share capital on conversion of performance rights	137,500	(137,500)	-	-
Transfer from option reserve to accumulated losses on options expired / exercised	-	(300,726)	300,726	-
Balance at 31 December 2018	<u>21,918,866</u>	<u>1,319,379</u>	<u>(14,504,514)</u>	<u>8,733,731</u>
	Issued capital \$	Reserves \$	Accumulated Losses \$	Total equity \$
<b>Consolidated</b>				
Balance at 1 July 2019	27,758,605	1,508,020	(16,824,776)	12,441,849
	-	-	-	-
Loss after income tax expense for the half year	-	-	(2,308,838)	(2,308,838)
Other comprehensive income for the half year, net of tax	-	-	-	-
Total comprehensive income for the half year	-	-	(2,308,838)	(2,308,838)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 5)	1,851,354	-	-	1,851,354
Issue of share capital on conversion of options	1,743	-	-	1,743
Issue of share capital on conversion of convertible notes	549,764	-	-	549,754
Issue of unlisted options to financier SBI	-	295,655	-	295,655
Issue of options to Directors	-	132,325	-	132,325
Issue of performance rights to Directors	-	345,000	-	345,000
Balance at 31 December 2019	<u>30,161,466</u>	<u>2,281,000</u>	<u>(19,133,614)</u>	<u>13,308,851</u>

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

Note	Consolidated	
	31 December 2019	31 December 2018
	\$	\$
<b>Cash flows from operating activities</b>		
Payments to suppliers	(1,454,990)	(889,971)
Net cash used in operating activities	(1,454,990)	(889,971)
<b>Cash flows from investing activities</b>		
Payments for exploration and evaluation	(2,967,042)	(3,008,202)
Net cash used in investing activities	(2,967,042)	(3,008,202)
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares, net of transaction costs	1,859,396	1,524,829
Proceeds from borrowings	-	280,000
Proceeds from convertible securities	1,500,000	940,000
Repayment of borrowings	(472,502)	-
Net cash from financing activities	2,886,894	2,744,829
Net increase/(decrease) in cash and cash equivalents	(1,535,137)	(1,153,344)
Cash and cash equivalents at the beginning of the period	1,725,366	1,744,467
Cash and cash equivalents at the end of the period	<u>190,229</u>	<u>591,123</u>

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

## Note 1. Significant accounting policies

These general purpose financial statements for the interim half year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 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 \$2,308,838 (31 December 2018: \$1,210,673) and net cash outflows from operating and investing activities of (\$4,422,032) (31 December 2018: \$(3,898,173)) for the half-year ended 31 December 2019. As at 31 December 2019, the directors prepared cash flow forecasts which indicated that the current cash resources will be sufficient to fund the repayment of the notes, planned exploration expenditure, other principal activities and working capital requirements.

The Directors have considered the following in their assessment of the future funding of the consolidated entity:

- The Directors resolved to raise further equity, noting that the consolidated entity has successfully carried out a capital raising in August 2019 and a debt issue in November 2019.
- During February and March 2020, 91.4 million new shares were issued at \$0.04 per ordinary share by way of private placement for \$3.6 million.
- A Share Purchase Plan (SPP) Offer was announced on 10 February 2020 at an issue price of \$0.04 per Share to raise up to \$1.5 million which was later upsized to \$2.5 million due to demand. The SPP Offer closed on 13 March 2020.
- The consolidated entity is currently reviewing other debt capital raising opportunities to meet potential requirements.

Based on the cash flow forecasts 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.

## Note 2. Operating segments

### *Identification of reportable operating segments*

The company currently operates entirely in the mineral exploration industry with interests in Argentina and corporate operations in Australia. Accordingly, the information provided to the Board of Directors is prepared using the same measures used in preparing the financial statements. The information reported to the 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**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
	<b>\$</b>	<b>\$</b>
Exploration and evaluation assets - at cost	<u>15,436,386</u>	<u>13,312,658</u>

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**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>30 Jun 2019</b>
	<b>\$</b>	<b>\$</b>
Convertible Notes	<u>1,905,811</u>	<u>1,428,078</u>

**Movements in convertible notes during the period were as follows:**

<b>Opening balance</b>	1,428,079
Repay balance of 9,990,000 unsecured convertible notes from Dec 2018	(472,502)
Exercise of convertible notes under the SBI facility (note 5 below)	(549,766)
Issue of convertible notes under the SBI facility (second investment amount)	1,500,000
<b>Balance at 31 December 2019</b>	<u>1,905,811</u>

During the period, the Company extended an agreement with the investor SBI Investments (PR), LLC, in which the investor had agreed to the second investment amount and invest a further \$1,500,000 in October 2019, in addition to the first investment amount of an aggregate of \$1,655,000 in the company and the company agreed to issue convertible securities to the investor in accordance with the terms and conditions of this agreement. The additional \$1,500,000 was by way of issue of 1,650,000 unsecured convertible securities (Notes) resulting in a total of \$1,905,811 outstanding at the end of the period with 2,220,811 notes on issue. The Notes issued are unsecured debt securities and are convertible into ordinary shares.



#### Note 4. Current liabilities - borrowings (continued)

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

Denomination: The 1,820,500 Notes (first investment) and the 1,650,000 Notes (second investment) were issued fully paid with a face value of \$0.909 per Note.

Maturity Date: 18 months from the date of issue of the first investment amount and 12 months from the date of issue of the second investment amount

Interest Rate: The company authorised the investor to deduct from the first investment amount the interest payable for the initial first investment securities interest period, being an amount equal to \$248,250 (first year interest amount). The company authorised the investor to deduct from the second investment amount the interest payable for the first three months interest period, being an amount equal to \$45,000 (first quarter interest amount).

Conversion:

a) The number of shares to which the Investor is entitled upon conversion of the relevant convertible security is determined by 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 the Conversion Price (as defined) per Convertible Security, which may be subsequently adjusted under this clause.

b) Where the number of shares to be issued to the Investor under this clause (above) includes a fraction, that fraction will be rounded to the nearest whole number.

During the half year, the Notes were partially repaid through shares issued as follows:

16 July 2019: 5,898,214

11 October 2019: 2,757,100

18 November 2019: 3,217,503

Convertible Notes pending of conversion: 2,220,811

Balance at the end of the Half-Financial Year: \$1,905,811

#### Note 5. Equity - issued capital

	Consolidated			
	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
	Shares	Shares	\$	\$
Ordinary shares - fully paid	514,532,056	457,296,162	30,161,466	27,758,605
Treasury shares	15,000,000	15,000,000	-	-
Total	<u>529,532,056</u>	<u>472,296,162</u>	<u>30,161,466</u>	<u>27,758,605</u>

**Note 5. Equity - issued capital (continued)**

**Movements in ordinary share capital**  
**during the six months ended 31 December 2019, were as follows:**

	<b>Date</b>	<b>No of Shares</b>	<b>\$</b>
<b>Opening balance</b>		<b>457,296,162</b>	<b>27,758,605</b>
Exercise of options	2-Jul-19	39,998	1,600
Exercise of options	3-Jul-19	3,571	143
Exercise of convertible notes SBI Agreement	16-Jul-19	5,898,214	349,764
Share placement	6-Sep-19	45,319,508	2,039,378
Exercise of convertible notes SBI Agreement	11-Oct-19	2,757,100	100,000
Exercise of convertible notes SBI Agreement	18-Nov-19	3,217,503	100,000
Capital raising costs cash		-	(188,024)
<b>Balance at 31 December 2019</b>		<b>514,532,056</b>	<b>30,161,466</b>

**Options**

*(note that the valuation for the options is recognised in option reserve)*

	<b>Date</b>	<b>No of Options</b>	<b>\$</b>
<b>Opening balance</b>		<b>20,107,638</b>	<b>1,503,023</b>
Exercise of options	2-Jul-19	(39,998)	---
Exercise of options	3-Jul-19	(3,571)	---
Issue of listed options	19-Aug-19	52,512,693	---
Issue of unlisted options to Directors	16-Sep-19	15,000,000	132,325
Expiry of unlisted options	21-Oct-19	(5,052,083)	---
Issue of unlisted options to SBI Investments (PR) LLC	28-Oct-19	18,300,000	295,655
<b>Balance at 31 December 2019</b>		<b>100,824,679</b>	<b>1,931,003</b>

**Performance Rights**

*(note that the valuation for the performance rights is recognised in performance rights reserve)*

	<b>Date</b>	<b>No of Performance Rights</b>	<b>\$</b>
<b>Opening balance</b>		<b>-</b>	<b>-</b>
Issue of performance rights to Directors	15-Aug-19	15,000,000	345,000
<b>Balance at 31 December 2019</b>		<b>15,000,000</b>	<b>345,000</b>

## Note 6. Equity - reserves

	Consolidated	
	31 Dec 2019	30 Jun 2019
	\$	\$
Capital profits reserve	4,997	4,997
Options reserve	1,931,003	1,503,023
Performance shares reserve	345,000	-
Balance at period end	2,281,000	1,508,020

### *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 7. Expenditure Commitments and Contingent Liabilities

There were no other significant changes to the commitments and contingencies disclosed in the most recent annual financial report.

## Note 8. Events after the reporting period

A prospectus was issued on 10 February 2020, with a supplementary prospectus on 28 February 2020 and a second supplementary prospectus on 10 March 2020.

A Share Purchase Plan (SPP) Offer was announced on 10 February 2020 for all Eligible Shareholders on the Record Date of 7 February 2020 to participate by subscribing for up to \$30,000 worth of new Shares at an issue price of \$0.04 per Share to raise up to \$1.5 million which was later upsized to \$2.5 million due to demand. The SPP Offer closed on 13 March 2020. The SPP Offer was made under the prospectus.

On 10 February September 2020, the early close-out of the Convertible Securities facility was announced. The Company entered into a formal agreement with SBI Investments (PR), LLC, for the early close out of the Convertible Securities funding facility, through a combination of both a cash payment and the issue of shares to SBI (which included an equity based fee in consideration for the facility's early termination). Under the agreement, the Company made a cash payment of A\$1,959,615 by 20 February 2020 and issued SBI with 11,558,021 ordinary shares on 11 February 2020.

The Company also negotiated short term unsecured debt facilities totalling \$800,000, part of which was applied to the cash payment for the early close out and termination of the Convertible Securities Facility.

A private placement was announced in January 2020, which was upsized to \$3.6 million in March 2020, before costs. During February and March 2020, 91,396,850 million new shares were issued at \$0.04 per ordinary share by way of private placement under the prospectus, to sophisticated and professional investors (Placement) using existing placement capacity under ASX Listing Rules 7.1 and 7.1A.

These funds raised through the Placement (and the SPP) will be used by Lake to make part of the cash payment required for the early close-out of the Convertible Securities facility, produce further high purity samples from the pilot plant for downstream participants (off-takers) to conduct qualification testing using the Lilac direct extraction process, the development, construction, transport and operation of the direct extraction pilot plant, the completion of the Pre-Feasibility Study (PFS), general exploration, the costs of the SPP Offer and the Placement, and to provide additional working capital.

**Note 8. Events after the reporting period (continued)**

No other matter or circumstance has arisen since 31 December 2019 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 9. Earnings per share**

	<b>Consolidated</b>	
	<b>31 Dec 2019</b>	<b>31 Dec 2018</b>
	<b>\$</b>	<b>\$</b>
Loss after income tax attributable to the owners of Lake Resources NL	<u>(2,308,838)</u>	<u>(1,210,672)</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>508,261,228</u>	<u>330,001,655</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	(0.45)	(0.37)
Diluted earnings per share	(0.45)	(0.37)

At the reporting date, the Company has no options on issue and in the money that could potentially dilute basic earnings per share in the future (Dec 2018: 5,052,083 options). Options were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented

**Note 10. Share Based Payments**

At the Company EGM held on 15 August 2019, shareholders approved the grant of 5 million performance rights and 5 million options to each of the Directors. The performance rights were subject to specific performance hurdles while the options were issued on 16 September 2019 and vested immediately. At 31 December 2019, share based payments of \$345,000 and \$132,325 were recognised.

During the period SBI Investments (PR), LLC, the provider of funding under the Convertible Securities facility received 18,300,000 options over ordinary shares. In this regard, \$295,655 was recorded as a share based payment.

**Directors Declaration**

In the directors' opinion:

1. The financial statements and notes:
  - a). comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
  - b. give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001 and the ASX Corporate Governance Guidelines (4<sup>th</sup> Edition)

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Steve Promnitz  
Managing Director

17 March 2020

## 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 2019, the consolidated statement of profit or loss 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 2019 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*.

#### 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 2019 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.

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.




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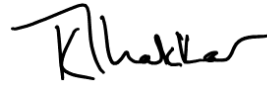
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## Independence

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**



**Kamal Thakkar**  
Partner

**Sydney**  
**17 March 2020**