

Lake Resources NL

ABN 49 079 471 980

Interim Report - 31 December 2018

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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 2018.

Directors

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

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

Principal activities

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

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

Lake is 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.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$1,210,673 (31 December 2017: \$1,947,717).

Kachi Lithium Brine Project - Catamarca Province, Argentina

Lake Resources' 100%-owned Kachi Lithium Brine Project in Catamarca Province, NW Argentina, covers a consolidated package of 36 mining leases recently expanded to 69,000 hectares (170,000 acres), 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 Kachi Project maiden JORC Mineral Resource estimate released in late November 2018 is 4.4 million tonnes of contained Lithium Carbonate Equivalent (LCE) at an average grade of 211 mg/L lithium and Mg/Li ratio of 4.7 in Inferred and Indicated categories extending to 400m below the surface in porous permeable sediments. This comprises 1 Mt LCE as Indicated Resource, and 3.4 Mt of LCE as Inferred Resource. In total, this represents 1,092,500 tonnes of lithium metal (4.4 million tonnes of lithium carbonate), and 30 million tonnes of potassium chloride. This places Kachi in the top 10 lithium brine projects globally, and is a similar size to the major lithium brine producers in Argentina and Chile. The brine-bearing sediments remain open at depth and laterally, with the opportunity for resource expansion through additional deeper drilling and extending the exploration footprint

The Phase 1 Engineering Study with technology partner Lilac Solutions using Lilac's direct extraction process on the Kachi brines, shows potential for lithium production costs to be US\$2600/tonne (+/-30%), which is in the lowest quartile of the cash cost curve. High lithium recoveries of 85-90% were confirmed from multiple brine samples, with lithium concentrations greater than 25,000 mg/L produced from ~300 mg/L lithium brine. An on-site pilot plant is planned for 2019 as part of pre-feasibility study (PFS), which is a precursor to full-scale commercial project offering rapid, low-cost production with low environmental impact.

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

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

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

Drilling is ongoing at Cauchari, which will be followed by Olaroz. High fluid pressures experienced downhole are most encouraging geologically, but have made drilling progress challenging and to date, have prevented reaching the targeted horizons and collecting representative brine samples.

Brine- conditions encountered in Lake's drill holes demonstrate that the contiguous high grade lithium brine producing basin extends into the Company's leases as already evidenced in the seismic geophysics, with aquifers expected at 300-400 metres depth.. Third party drill results nearby include 600-705mg/L lithium with high flow rates close to the lease boundary. This includes recently reported 611mg/L lithium with high flow rates from a deeper sand unit.

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 for drilling are in the final phase of permitting.

Catamarca Lithium Pegmatite Project - Catamarca Province, Argentina

The Company exercised an option agreement in September 2018 with Petra Energy SA and has since expanded the lease holdings and applications to over 80,000 hectares of outcropping pegmatites with lithium potential within Catamarca Province in NW Argentina.

Field programmes have 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. 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.

Financing

The Company recently secured a \$1.65 million financing package via the issue of unsecured convertible securities ("Securities") to a North American investor, Amvest Capital Inc., that has been a strong supporter of new energy projects and the resources sector. Additionally, Lake has the option to increase the size of the facility up to \$5 million. Amvest Capital Inc (acting through Mann Mann Jensen Partners LP) served as North American placement agent to the financing.

The initial funds received from the issue of the Securities are being used by the Company primarily towards advancing the PFS at Kachi, accelerating the drilling at the Cauchari project, and working capital. Further funding will be used for drilling at the Olaroz project. Separately some of the Company's December 2018 Notes have been recently retired.

This financing forms part of the Company's longer-term strategy of securing support from North American investors to advance and validate the Company's Argentinian lithium projects. The funding support will enable the Company to complete the pre-feasibility study (PFS) at its Kachi Lithium Brine Project while also ramping up drilling activities at the highly prospective Cauchari and Olaroz projects. Progressing the PFS at Kachi is a priority as the project is considered one of the top 10 global lithium brine resources and is one of the last 100% owned lithium brine basins not yet subject to an agreement with a strategic partner or offtake arrangement.

Investor Relations activity

Lake recently engaged US based consultants, RB Milestone Group LLC ("RBMG"), in North America to broaden access to a wider investor audience. This initialises an enhanced program for Lake whereby RBMG will provide strategic planning, market intelligence and research initiatives, as well as business referrals related to business development and general corporate opportunities. The program allows Lake to reach a wider audience of financial and strategic professionals across the United States and Canada. These services will help Lake communicate its corporate characteristics to applicable investment and media outlets in that region.

Corporate activity continues unabated in the lithium brine sector in Argentina with a C\$111 million cash offer for LSC Lithium (TSX-V: LSC) from an oil and gas operator PlusPetrol.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial half-year

On 27 February 2019, the shareholders approved the issue of 4,950,000 options to the convertible note holders (as disclosed in Note 5). The options are exercisable at \$0.20 each and expire on 25 June 2020.

On 28 February 2019, the Company announced a \$1.65 million finance package was completed via the issue of unsecured convertible securities ('Securities') to a North American investor, with the option to increase the size of the facility up to \$5 million. Key terms of the convertible securities include:

- a) The Securities will be issued with a face value of \$1.00 each.
- b) The Securities rank equally amongst themselves and at least equally with all other direct, unsubordinated and unsecured obligations of the Issuer.
- c) 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).
- d) 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 at 90% of three Volume Weighted Average Price ('VWAP') of the Shares selected by the investor for the 20 Trading Days ending on the date of the conversion notice.
- e) The Securities will mature on the date that is 18 months from their date of issue.
- f) The interest is fixed at 15% per annum, compounded monthly, payable quarterly in advance in cash.
- g) The investor will initially be issued 5,555,000 options exercisable at \$0.09 in connection with the funding of the \$1.65 million.

On 11 March 2019, the Company has reached an agreement with the individual holders of the 9,900,000 convertible notes that were issued by the Company on 21 December 2018 ("Notes") such that that the Company will repurchase and retire the Notes. The material terms of the repurchase and retirement are:

- (1) The Notes will be repurchased by paying the face value of the notes together with the interest accrued as at the date of repurchase;
- (2) The noteholders can elect to receive payment in cash or up to 25% of the total repayment consideration in ordinary shares in LKE at the issue price of 95% of the 10 day VWAP prior to the date of repurchase, or if there is a placement of ordinary equity in an equity capital raising by LKE (within 10 days prior to the repurchase date) at the same price as the equity capital raising; and
- (3) The repurchase will be completed at a time agreed between the noteholder and LKE and in any event no later than 25 June 2019.

The Company has agreed to the completion of this retirement and repurchase with one noteholder in relation to 1,650,000 Notes on these terms with the repurchase to be 75% in cash and 25% in the Company's shares. As a result, 835,020 new ordinary shares were issued as part of the retirement and repurchase.

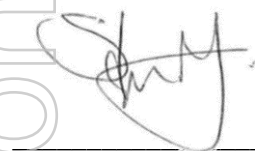
No other matter or circumstance has arisen since 31 December 2018 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Auditor's independence declaration

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

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

On behalf of the directors



Steve Promnitz
Managing Director

15 March 2019

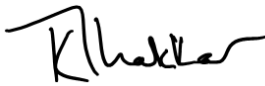
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Auditor's Independence Declaration

As lead auditor for the review of Lake Resources N.L. for the half-year ended 31 December 2018, 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

15 March 2019



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General information

The financial statements cover Lake Resources NL as a consolidated entity consisting of Lake Resources NL and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Lake Resources NL's functional and presentation currency.

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

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 with a resolution of directors, on 15 March 2019.

Lake Resources NL
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2018



		Consolidated	
	Note	31 December 2018	31 December 2017
		\$	\$
Expenses			
Employee benefits expense		(262,020)	(204,250)
Consultancy and legal costs		(185,513)	(145,725)
Depreciation and amortisation expense		(336)	-
Administration costs		(139,489)	(5,292)
Corporate costs		(573,315)	(278,176)
Share based payments	12	-	(1,314,274)
Finance costs		(50,000)	-
Loss before income tax expense		(1,210,673)	(1,947,717)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Lake Resources NL	8	(1,210,673)	(1,947,717)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Lake Resources NL		(1,210,673)	(1,947,717)
		Cents	Cents
Basic earnings per share	11	(0.37)	(0.85)
Diluted earnings per share	11	(0.37)	(0.85)

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

Lake Resources NL
Statement of financial position
As at 31 December 2018



	Consolidated	
	31 December	
Note	2018	30 June 2018
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	591,123	1,744,467
Trade and other receivables	201,206	33,308
Other assets	80,082	48,873
Total current assets	<u>872,411</u>	<u>1,826,648</u>
Non-current assets		
Investments accounted for using the equity method	35	35
Property, plant and equipment	1,529	1,865
Exploration and evaluation	9,566,628	4,901,193
Total non-current assets	<u>9,568,192</u>	<u>4,903,093</u>
Total assets	<u>10,440,603</u>	<u>6,729,741</u>
Liabilities		
Current liabilities		
Trade and other payables	436,872	224,601
Borrowings	280,000	-
Total current liabilities	<u>716,872</u>	<u>224,601</u>
Non-current liabilities		
Borrowings	990,000	-
Total non-current liabilities	<u>990,000</u>	<u>-</u>
Total liabilities	<u>1,706,872</u>	<u>224,601</u>
Net assets	<u>8,733,731</u>	<u>6,505,140</u>
Equity		
Issued capital	21,918,866	18,342,102
Reserves	1,319,379	1,757,605
Accumulated losses	(14,504,514)	(13,594,567)
Total equity	<u>8,733,731</u>	<u>6,505,140</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 2018



Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
Balance at 1 July 2017	12,346,866	936,260	(10,054,176)	3,228,950
Loss after income tax expense for the half-year	-	-	(1,947,717)	(1,947,717)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,947,717)	(1,947,717)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	15,000	-	-	15,000
Share-based payments (note 12)	-	1,314,274	-	1,314,274
Conversion of performance shares to issued capital	330,000	(330,000)	-	-
Balance at 31 December 2017	<u>12,691,866</u>	<u>1,920,534</u>	<u>(12,001,893)</u>	<u>2,610,507</u>
Consolidated	Issued capital \$	Reserves \$	Retained profits \$	Total equity \$
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, 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 (note 6)	1,672,264	-	-	1,672,264
Share-based payments (note 12)	1,767,000	-	-	1,767,000
Conversion of performance shares to issued capital	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>

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

Lake Resources NL
Statement of cash flows
For the half-year ended 31 December 2018



	Note	Consolidated	
		31 December 2018 \$	31 December 2017 \$
Cash flows from operating activities			
Payments to suppliers and employees		(889,971)	(548,027)
Net cash used in operating activities		(889,971)	(548,027)
Cash flows from investing activities			
Payments for exploration and evaluation		(3,008,202)	(1,028,933)
Net cash used in investing activities		(3,008,202)	(1,028,933)
Cash flows from financing activities			
Proceeds from issue of shares, net of transaction costs	6	1,524,829	15,000
Proceeds from borrowings		280,000	1,615,000
Proceed from convertible securities		940,000	-
Net cash from financing activities		2,744,829	1,630,000
Net increase/(decrease) in cash and cash equivalents		(1,153,344)	53,040
Cash and cash equivalents at the beginning of the financial half-year		1,744,467	1,396,825
Cash and cash equivalents at the end of the financial half-year		591,123	1,449,865

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 2018 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 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Going concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business. The consolidated entity has incurred net losses after tax of \$1,210,673 (2017: \$1,947,717) and net cash outflows from operating and investing activities of \$3,898,173 (2017: \$1,576,960) for the half-year ended 31 December 2018. For the reasons described below, conditions exist that indicate there is a material uncertainty as to the consolidated entity's ability to continue as a going concern.

The directors have prepared cash flow forecasts which indicate that the current cash resources will not be sufficient to fund planned exploration expenditure, other principal activities and working capital requirements without the sale of non-core assets and/or capital raising. Notwithstanding that the entity has successfully carried out a debt issue of \$990,000 in December 2018, and more recently a financing arrangement of \$1.65 million in February 2019, the consolidated entity will be required to sell non-core assets or carry out another capital raising to fund its current operations through to 31 March 2020. The consolidated entity is reviewing various capital raising opportunities to meet its capital requirements.

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

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

Note 2. Operating segments

Identification of reportable operating segments

The 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

	Consolidated	
	31 December	
	2018	30 June 2018
	\$	\$
Exploration and evaluation expenditure - at costs	<u>9,566,628</u>	<u>4,901,193</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

	Consolidated	
	31 December	
	2018	30 June 2018
	\$	\$
Short term borrowings	<u>280,000</u>	<u>-</u>

Note 5. Non-current liabilities - borrowings

	Consolidated	
	31 December	
	2018	30 June 2018
	\$	\$
Convertible notes payable	<u>990,000</u>	<u>-</u>

During the period, the Company announced it raised \$990,000 by way of issue of 9,900,000 unsecured convertible notes (Notes) to sophisticated and professional investors. The Notes issued are debt securities and are convertible into ordinary shares.

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

Denomination:	The Notes were issued fully paid with a face value of \$0.10 per Note.
Maturity Date:	18 months from the date of issue
Interest Rate:	The Notes attract interest at 15% per annum, payable quarterly in arrears in cash or fully paid ordinary shares issued at 95% VWAP of the shares for the 10 trading day period ending on the relevant interest payment date.
Status and Ranking:	The Notes rank equally with all other direct, unsubordinated and unsecured obligations of the Issuer.
Conversion:	The Notes converts into fully paid ordinary shares at 80% VWAP of the shares for the 10 trading day period ending on the date of the conversion notice or maturity date.

Note 6. Equity - issued capital

	Consolidated			
	31 December		31 December	
	2018	30 June 2018	2018	30 June 2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>351,141,783</u>	<u>305,683,867</u>	<u>21,918,866</u>	<u>18,342,102</u>

Note 6. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	\$
Balance	1 July 2018	305,683,867	18,342,102
Issue of shares - CPA with Acuity Capital *	2 August 2018	15,000,000	-
Transferred to treasury shares	2 August 2018	(15,000,000)	-
Issue of shares - Exercise of listed options	20 August 2018	504,000	50,400
Issue of shares - Exercise of listed options	23 August 2018	2,575,869	257,587
Issue of shares - Exercise of listed options	24 August 2018	65,235	6,524
Issue of shares - Exercise of listed options	27 August 2018	4,770,679	477,068
Issue of shares - Petra Energy SA **	13 September 2018	19,000,000	1,767,000
Issue of shares - Exercise of listed options	28 September 2018	10,124,131	614,785
Issue of shares - Conversion of performance rights	10 October 2018	2,500,000	137,500
Issue of shares - Exercise of unlisted options	30 November 2018	5,420,085	271,004
Issue of shares - Exercise of unlisted options	17 November 2018	497,917	24,896
Capital raising costs		-	(30,000)
Balance	31 December 2018	<u>351,141,783</u>	<u>21,918,866</u>

* These shares were entered under a Controlled Placement Agreement with Acuity Capital.

** Refer to Note 12 for further details

Treasury shares

Details	Date	Shares	\$
Balance	1 July 2018	-	-
Transfer from ordinary share capital	2 August 2018	15,000,000	-
Balance	31 December 2018	<u>15,000,000</u>	-

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

Details	Date	Performance rights	\$
Balance	1 July 2018	2,500,000	137,500
Converted to ordinary shares	10 October 2018	(2,500,000)	(137,500)
Balance	31 December 2018	<u>-</u>	<u>-</u>

Note 6. Equity - issued capital (continued)

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

Details	Date	Options	\$
Balance	1 July 2018	82,809,161	1,615,108
Exercise of options	20 August 2018	(504,000)	-
Exercise of options	23 August 2018	(2,575,869)	-
Exercise of options	24 August 2018	(65,235)	-
Exercise of options	27 August 2018	(4,770,679)	-
Expiry of options	27 August 2018	(1,160,086)	(51,155)
Exercise of options	28 September 2018	(10,124,131)	-
Exercise of options	30 November 2018	(5,420,085)	-
Expiry of options	30 November 2018	(322,409)	-
Exercise of options	17 December 2018	(497,917)	-
Expiry of options	17 December 2018	(42,816,667)	(249,571)
Balance	31 December 2018	<u>14,552,083</u>	<u>1,314,382</u>

Ordinary shares

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

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

Share buy-back

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

Note 7. Equity - reserves

	Consolidated	
	31 December 2018	30 June 2018
	\$	\$
Capital profits reserve	4,997	4,997
Options reserve	1,314,382	1,615,108
Performance shares reserve	-	137,500
	<u>1,319,379</u>	<u>1,757,605</u>

Capital profits reserve

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

Options reserve

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

Performance rights reserve

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

Note 8. Equity - accumulated losses

	Consolidated	
	31 December 2018 \$	30 June 2018 \$
Accumulated losses at the beginning of the financial half-year	(13,594,567)	(13,594,567)
Loss after income tax expense for the half-year	(1,210,673)	-
Transfer from options reserve	300,726	-
	<u> </u>	<u> </u>
Accumulated losses at the end of the financial half-year	<u>(14,504,514)</u>	<u>(13,594,567)</u>

Note 9. Equity - dividends

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

Note 10. Events after the reporting period

On 27 February 2019, the shareholders approved the issue of 4,950,000 options to the convertible note holders (as disclosed in Note 5). The options are exercisable at \$0.20 each and expire on 25 June 2020.

On 28 February 2019, the Company announced a \$1.65 million finance package was completed via the issue of unsecured convertible securities ('Securities') to a North American investor, with the option to increase the size of the facility up to \$5 million. Key terms of the convertible securities include:

- a) The Securities will be issued with a face value of \$1.00 each.
- b) The Securities rank equally amongst themselves and at least equally with all other direct, unsubordinated and unsecured obligations of the Issuer.
- c) 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).
- d) 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 at 90% of three Volume Weighted Average Price ('VWAP') of the Shares selected by the investor for the 20 Trading Days ending on the date of the conversion notice.
- e) The Securities will mature on the date that is 18 months from their date of issue.
- f) The interest is fixed at 15% per annum, compounded monthly, payable quarterly in advance in cash.
- g) The investor will initially be issued 5,555,000 options exercisable at \$0.09 in connection with the funding of the \$1.65 million.

On 11 March 2019, the Company has reached an agreement with the individual holders of the 9,900,000 convertible notes that were issued by the Company on 21 December 2018 ("Notes") such that that the Company will repurchase and retire the Notes. The material terms of the repurchase and retirement are:

- (1) The Notes will be repurchased by paying the face value of the notes together with the interest accrued as at the date of repurchase;
- (2) The noteholders can elect to receive payment in cash or up to 25% of the total repayment consideration in ordinary shares in LKE at the issue price of 95% of the 10 day VWAP prior to the date of repurchase, or if there is a placement of ordinary equity in an equity capital raising by LKE (within 10 days prior to the repurchase date) at the same price as the equity capital raising; and
- (3) The repurchase will be completed at a time agreed between the noteholder and LKE and in any event no later than 25 June 2019.

The Company has agreed to the completion of this retirement and repurchase with one noteholder in relation to 1,650,000 Notes on these terms with the repurchase to be 75% in cash and 25% in the Company's shares. As a result 835,020 new ordinary shares were issued as part of the retirement and repurchase.

Note 10. Events after the reporting period (continued)

No other matter or circumstance has arisen since 31 December 2018 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 11. Earnings per share

	Consolidated	
	31 December 2018	31 December 2017
	\$	\$
Loss after income tax attributable to the owners of Lake Resources NL	<u>(1,210,673)</u>	<u>(1,947,717)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>330,001,655</u>	<u>228,296,015</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>330,001,655</u>	<u>228,296,015</u>
	Cents	Cents
Basic earnings per share	(0.37)	(0.85)
Diluted earnings per share	(0.37)	(0.85)

At the reporting date, the Company has 5,052,083 (2017: 51,989,250) options on issue and in the money that could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods presented.

Note 12. Share-based payments

On 13 September 2018, following the approval from the shareholders at the Company's EGM, the Company issued 19,000,000 fully paid ordinary shares to Petra Energy SA to meet the terms of the option agreement, being a right of exploration and in order to maintain the right to purchase a large block of approximately 72,000 Ha of exploration and some mining leases and applications over potential lithium bearing pegmatites and pegmatite swarms. These shares were valued at market prices and a share-based payment of \$1,767,000 has been recognised in the financial statements as part of the exploration and evaluation assets.

**Lake Resources NL
Directors' declaration
31 December 2018**



In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

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

Steve Promnitz
Managing Director

15 March 2019

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 2018, 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 2018 and of its financial performance for the half-year ended on that date; and
- ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the half-year financial report which indicates that the Consolidated Entity has incurred net losses after tax of \$1,210,673 (2017: \$1,947,717) and net cash outflows from operating and investing activities of \$3,898,173 (2017: \$1,576,960) for the half-year ended 31 December 2018. These conditions, along with other matters set forth in Note 1, indicate that a material uncertainty exists that may cast significant doubt on the Consolidated Entity's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Directors' Responsibility for the Half-year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Consolidated Entity, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.



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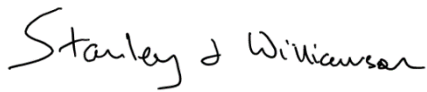
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A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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
15 March 2019

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