



**CLEANER LITHIUM
FOR AN ELECTRIC WORLD**

Lake Resources NL

ABN 49 079 471 980

**Interim Report – Half Year Financial Statements
for the six months ended 31 December 2020**

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CORPORATE DIRECTORY
for the period ended 31 December
2020



Directors	Stuart Crow - Non-Executive Chairman Steve Promnitz - Managing Director Dr. Nicholas Lindsay - Executive Technical Director Dr. Robert Trzebski – Non-executive Director
Company Secretary- Joint	Sinead Teague (Resigned 5 January 2021) Garry Gill
Registered office and Principal Place of Business	Level 5, 126 Phillip Street, Sydney, NSW 2000, Australia Tel: +61 2 9299 9690
Share Register	Automic Registry Level 5, 126 Phillip Street Sydney, NSW 2000 Tel: 1300 288 664
Auditor	BDO Audit Pty Ltd (appointed 15 February 2021) Level 10, 12 Creek St Brisbane QLD 4000 GPO Box 457 Brisbane QLD 4001
Solicitors	HopgoodGanim Lawyers Level 8, Waterfront Place, 1 Eagle Street, Brisbane Qld 4000
Bankers	National Australia Bank
Stock Exchange Listings	Australian Securities Exchange (ASX code: LKE) OTC QB: LLKKF
Website	www.lakeresources.com.au

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The Directors present their report, together with the financial statements, on the Consolidated entity (referred to hereafter as 'Lake' or 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 six months ended 31 December 2020.

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) – appointed as Executive Technical Director on 8 Jan 2021
R. Trzebski (Non- Executive Director)

Principal activities

During the financial year the principal activities of the Consolidated entity consisted of:

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

Dividends

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

Review of Operations

The loss for the consolidated entity after providing for income tax amounted to \$1,511,902, (2019: \$2,308,838).

Corporate Strategy

Lake Resources NL ("Lake" or the "Consolidated entity") is a clean lithium developer utilising direct extraction technology for the development of sustainable, high purity lithium from its flagship Kachi Project, as well as three other lithium brine projects in Argentina. The projects are in a prime location within the Lithium Triangle, where 40% of the world's lithium is produced at the lowest cost.

This method will enable Lake to be an efficient, responsibly sourced, environmentally friendly and cost competitive supplier of high-purity lithium, a product in demand from Tier 1 electric vehicle makers and battery makers.

Operations

Kachi Lithium Brine Project - Catamarca Province, Argentina

Lake Resources' 100%-owned Kachi Lithium Brine Project in Catamarca province, NW Argentina, covers 39 granted mining leases (74,380 hectares), centred around a previously undrilled salt lake within a large lithium brine-bearing basin, with a large indicated and inferred resource of 4.4 Mt LCE (Indicated 1.0Mt, Inferred 3.4Mt) (refer ASX announcement 27 November 2018). Kachi is one of the few salt lakes in Argentina with substantial proven lithium brines controlled by a single owner. The project is located at about 3000 metres altitude, south of Livent's Hombre Muerto Lithium brine operation (NYSE: LTHM) which is Argentina's longest operating lithium brine project.

Lake aims to bring the project to production by using the efficient, low cost-competitive direct extraction technology from Lake's technology partner, Lilac Solutions Inc, in California. Lilac has successfully produced high purity lithium chloride eluate from Kachi Project brine samples using its proprietary ion-exchange direct lithium extraction method at pilot plant module scale in California (refer ASX announcement 3 July 2020). Samples of this lithium chloride were further processed into high purity 99.97% lithium carbonate by an independent laboratory, Hazen Research Inc, in Colorado (refer ASX release 6 August 2020; 20 October 2020). Hazen continues to produce lithium carbonate samples for Lake.

Definitive Feasibility Study (DFS)

The Definitive Feasibility Study (DFS) was formally commenced for the Kachi Lithium Brine Project, with the appointment of Hatch as the lead consultant, in January 2021.

This builds upon the compelling and robust Pre-Feasibility Study (PFS) announced on 30 April 2020, into the technical and economic viability of the Kachi Lithium Brine Project, based on Lilac's sustainable direct lithium extraction process.

A long-life (25 years), low-cost operation was demonstrated with annual production target of 25,500 tonnes of battery grade lithium carbonate by direct extraction using Lilac's technology, based on the Indicated Resource of 1.0 million tonnes LCE at 290 mg/L lithium (20% of current total resource).

A post-tax NPV8 of US\$748 million (A\$1,180m) and IRR of 22% was generated in the PFS. A high margin operation was shown with an EBITDA of US\$155 million (A\$245m) in first full year of production, and an operating margin of 62%, using forecast of US\$11,000/t Li₂CO₃ CIF Asia. A competitive capital cost (capex) estimate of US\$544 million was estimated, including contingency, and operating cost (opex) of US\$4,178/tonne Li₂CO₃.

Pricing in the lithium carbonate market is largely determined by purity, and the level and type of impurities. The high purity results produced by the Company indicate premium pricing potential, higher than previously envisaged. The PFS was based on achieving 99.9% lithium carbonate and a conservative fixed selling price of US\$11,000/t. In the first quarter of 2021, lithium prices have increased and with the premium for high quality, Lake is considering using US\$15,500/t for high purity battery grade lithium carbonate (CIF Asia). The demand for battery grade lithium carbonate has also increased, which has resulted in Lake assessing an expansion option for the Kachi project.

The DFS is an important milestone in the development of the Kachi Lithium Brine Project as a sustainable and commercially successful producer of high-quality lithium product for the rapidly growing battery market.

Associated work streams to run in parallel with the DFS include the environmental and social impact study (ESIA), continued community engagement, and a demonstration plant to be commissioned on-site later in 2021.

Testing High Purity Lithium in Batteries by Novonix

High purity lithium carbonate samples have been sent to Novonix Battery Technology Solutions, which is a subsidiary of Novonix Limited (ASX: NVX, OTCQX: NVNXF). It is a independent testing and development laboratory based in Nova Scotia (Canada) used by recognised battery makers, including CATL, Panasonic, Apple and Dyson.

Positive results were confirmed from initial testing by Novonix for the production of NMC622-based lithium-ion battery test cells using samples of Lake's high 99.97% purity lithium carbonate tested together with commercial samples of NMC622-hydroxide precursor from Tier 1 producers (refer ASX announcement 27 August 2020, 26 November 2020, 2 March 2021). Using Novonix's pilot cell line and proprietary advanced diagnostic tools, the performance of Lake's high purity, lithium product is being evaluated in a real-world direct comparison in NMC622 batteries and its suitability for the nickel cathode sector. Significantly, this data will allow potential users and off-takers of Lake's product to make direct and relevant comparisons of its performance to familiar cell chemistries.

Lake's high-quality product yielded improved capacity retention and better electrochemical behaviour in coin cells compared to the commercially available product from Tier 1 producers. Larger scale tests will be conducted using batch-scale synthesis to demonstrate repeatability, homogeneity, and cell characterisation and validation in full lithium-ion wound pouch cells.

Project Finance and Potential Partnerships

In the first quarter of 2021, Lake has appointed SD Capital Advisory Limited and GKB Ventures Limited as joint financial advisors to structure and arrange project finance, with a focus on Export

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Credit Agencies (“ECA’s”), for the development of the Company’s flagship Kachi Lithium Brine Project.

Discussions have been held with potential battery supply chain partners, including off-takers and electric vehicle companies, to ensure the development of the project.

Resource Statement

The table below (Table 1) outlines 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 31 December 2020.

Table 1: Kachi Mineral Resource Estimate - November 2018 (JORC Code 2012 Ed.)

RESOURCE ESTIMATE KACHI						
	Indicated		Inferred		Total Resource	
Area km ²	17.10		158.30		175.40	
Aquifer volume km ³	6		41		47	
Brine volume km ³	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
Lithium Carbonate Equivalent tonnes	1,005,000		3,394,000		4,400,000	
Potassium Chloride tonnes	6,705,000		24,000,000		30,700,000	

Lithium is converted to lithium carbonate (Li₂CO₃) 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 report 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 three areas in Jujuy Province in NW Argentina, 100% owned by Lake, the Olaroz and Cauchari and Paso Lithium Brine Projects.

Confirmation of multiple high-grade lithium brines over 506m interval (102m to 608m depth) at Lake’s 100% owned Cauchari Lithium Brine Project was demonstrated in results returned in late August

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2019. Results ranged from 421 to 540 mg/L lithium (493 mg/L average) in detailed sampling with low Mg/Li ratios of 2.7. The high-grade results averaged 493 mg/L lithium over 343m (from 117m to 460m), up to 540 mg/L.

This drilling confirmed similar grades and lithium brines extending into Lake's properties from the adjoining Ganfeng Lithium/ Lithium Americas Cauchari project (NYSE:LAC), progressing to production in 2021 at 40,000tpa LCE.

At Olaroz, which is north of Cauchari, Lake's leases extend 30 km north-south of the adjoining Orocobre's Olaroz lithium production leases to the east. Drilling is anticipated when all planned holes are approved.

Impact of COVID-19 on Operations

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially neutral for the Consolidated entity up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation continues to be dependent on measures imposed by the Australian Government, the Argentine Government, and other countries, such as the timely provision of vaccinations, maintaining social distancing requirements, quarantine, travel restrictions and any ongoing economic stimulus that may be provided.

Significant changes in the state of affairs

Equity capital raisings were conducted during the financial year to sustain the development of the Kachi Project. On 28 August 2020, 85.7 million shares were issued at \$0.03 per ordinary share by way of private placement to sophisticated and professional investors to raise \$2.55 million before costs. On 28 August 2020, 15 million shares were issued at \$0.033 per ordinary share in accordance with a Controlled Placement Agreement. On 25 September 2020, 15 million shares were issued at \$0.06 per ordinary share in accordance with a Controlled Placement Agreement. A \$200,000 loan, raised in July 2020, was retired with interest so that no loans are outstanding. The Company entered into a Controlled Placement Agreement (the Agreement) in August 2018 with Acuity Capital Pty Ltd. The Company agreed to extend the CPA and increase the shares held as security by Acuity Capital under the CPA through an additional issue of 25 million Shares out of its LR7.1 capacity in November 2020. There are no requirements on the Company to utilise the Agreement.

There were no other significant changes in the state of affairs of the Consolidated entity during the financial year.

Matters subsequent to the end of the financial year

Significant Capital Raising

Subsequent to the end of the financial year, the Consolidated entity raised a further \$20.6 million before costs, on 25 January 2021, in a private placement for 125 million new ordinary shares at an offer price of \$0.165 per share to global institutional investors. Every two shares received one attached option (62.5 million options) with an exercise price of A\$0.30 with a two year expiry, approved by shareholders on 9 March 2021. Roth Capital Partners LLC acted as sole placement agent. Fees include 11,250,000 options with an exercise price of A\$0.30 with a two year expiry.

The Company intends to use the net proceeds from the Placement to operate the lithium chloride direct extraction Pilot plant in California; commission the Demonstration Plant on site at Kachi to produce larger samples for off-takers; complete the Definitive Feasibility Study (DFS) at Kachi; complete the Environmental and Social Impact Study (ESIA) at the Kachi Project; exploration and evaluation studies across all projects and working capital.

The key outcome of the placement in January 2021 was that the Company is financed for its current plans through to the construction finance phase planned for mid-2022, including the Definitive Feasibility Study (DFS) for the Kachi project

On 19 January 2021, 40 million shares were issued at \$0.0844 per ordinary share in accordance with a Controlled Placement Agreement with Acuity Capital Pty Ltd to raise A\$3.375 million.

Unlisted options were converted in December/January including 18,300,000 options with an exercise price of \$0.046 and 5,555,000 options with an exercise price of \$0.08. Listed options with an exercise price of \$0.10 have been progressively converted since February 2021.

Implementation of DFS

The Definitive Feasibility Study (DFS) for the Kachi Lithium Brine Project was formally commenced in January 2021, with the appointment of Hatch as the lead consultant. This builds upon the compelling and robust Pre-Feasibility Study (PFS) announced on 30 April 2020.

The DFS is an important milestone in the development of the Kachi Lithium Brine Project. Associated work streams to run in parallel with the DFS include the environmental impact study, continued community engagement, and a demonstration plant to be commissioned on-site later in 2021.

To manage the DFS and related work streams, the board of Lake Resources announced that Dr Nicholas Lindsay was appointed as Technical Director.

Testing High Purity Lithium in Batteries by Novonix

Positive results were confirmed in March 2021 from initial testing by Novonix for the production of NMC622-based lithium-ion battery test cells using samples of Lake's high 99.97% purity lithium carbonate tested together with commercial samples of NMC622-hydroxide precursor from Tier 1 producers.

Change of Auditor

BDO Audit Pty Ltd ('BDO') has been appointed as auditor of the Company with effect from 15 February 2021. The appointment followed the resignation of Stanley & Williamson and ASIC's consent to Stanley & Williamson's resignation, in accordance with s329(5) of the Corporations Act 2001 (Cth) ("Act").

The Board, selected BDO based on their reputation, experience, and global recognition. BDO agreed to act as the Company's auditor for the financial year commencing 1 July 2020 and subsequent financial years.

In accordance with s327C of the Act, a resolution will be tabled at the Company's 2021 Annual General Meeting to confirm the appointment of BDO as the Company's auditor.

Appointment of financial advisor

In the first quarter of 2021, Lake has appointed SD Capital Advisory Limited and GKB Ventures Limited as joint financial advisors to structure and arrange project finance, with a focus on Export Credit Agencies ("ECA's"), for the development of the Company's flagship Kachi Lithium Brine Project.

No other matter or circumstance has arisen since 31 December 2020 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.

LAKE RESOURCES NL
DIRECTORS REPORT
for the half-year ended 31 December
2020



This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

A handwritten signature in black ink, appearing to read "Steve Promnitz".

Steve Promnitz
Director

16 March 2021

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AUDITORS INDEPENDENCE DECLARATION



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Australia

DECLARATION OF INDEPENDENCE BY R M SWABY TO THE DIRECTORS OF LAKE RESOURCES NL

As lead auditor for the review of Lake Resources NL for the half-year ended 31 December 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Lake Resources NL and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'R M Swaby', is written over a light grey circular stamp.

R M Swaby
Director

BDO Audit Pty Ltd

Brisbane, 16 March 2021

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FINANCIAL STATEMENTS

for the half year ended 31 December 2020



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 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

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LAKE RESOURCES NL

Statement of Profit and Loss and Other Comprehensive Income

for the half year ended 31 December 2020

	Note	Consolidated	
		31 December 2020	31 December 2019 (restated)
		\$	\$
Expenses			
Corporate expenses		(429,814)	(693,720)
Administrative expenses		(35,750)	(104,318)
Depreciation and amortisation expense		(335)	(549)
Exploration expenditure impaired		(301,631)	-
Employee benefit expenses		(281,542)	(238,593)
Share based payments expense		-	(772,979)
Consultancy and legal costs		(200,327)	(421,947)
Non recoverable VAT		(235,003)	(25,639)
Finance costs		(27,500)	(51,093)
Loss before income tax expense		(1,511,902)	(2,308,838)
Loss after income tax expense for the year attributable to the owners of Lake Resources NL		(1,511,902)	(2,308,838)
Other comprehensive income for the year, net of tax			
Foreign currency translation		(299,198)	(142,756)
Total comprehensive income for the year attributable to the owners of Lake Resources NL		(1,811,100)	(2,451,594)
		Cents	Cents
Basic earnings per share	7	(0.19)	(0.45)
Diluted earnings per share	7	(0.19)	(0.45)

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 2020

		Consolidated	
	Note	31 December 2020	30 June 2020
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		2,029,482	55,511
Trade and other receivables		267,547	304,841
Other current assets		21,448	-
Total current assets		2,318,477	360,352
Non-current assets			
Investments accounted for using the equity method		35	35
Property, plant and equipment		218	531
Exploration and evaluation	3	18,198,563	17,352,504
Total non-current assets		18,198,816	17,353,070
Total assets		20,517,293	17,713,422
Liabilities			
Current liabilities			
Trade and other payables		975,260	583,027
Employee benefits		102,871	81,108
Total current liabilities		1,078,131	664,135
Total liabilities		1,078,131	664,135
Net assets		19,439,162	17,049,287
Equity			
Issued capital	4	39,634,035	35,433,060
Reserves	5	3,044,701	3,343,899
Accumulated losses		(23,239,574)	(21,727,672)
Total equity		19,439,162	17,049,287

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 2020

	Note	Issued Capital	Reserves	Accumulated Losses	Total Equity
		\$	\$	\$	\$
Balance at 1 July 2019		27,758,605	1,508,020	(16,824,776)	12,441,849
Prior period adjustment	1	-	471,214	-	471,214
Restated balance at 1 July 2019		27,758,605	1,979,234	(16,824,776)	12,913,063
Loss after income tax expense for the year		-	-	(2,308,838)	(2,308,838)
Other comprehensive income for the year, net of tax		-	142,756	-	142,756
Total comprehensive income for the year		-	142,756	(2,308,838)	(2,166,082)
<i>Transactions with owners in their capacity as owners</i>					
Contributions of equity, net of transaction costs		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	-	-	549,764
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		30,161,466	2,894,970	(19,133,614)	13,922,822
Balance at 1 July 2020		35,433,060	3,343,899	(21,727,672)	17,049,287
Loss after income tax expense for the period		-	-	(1,511,902)	(1,511,902)
Other comprehensive income for the period, net of tax		-	(299,198)	-	(299,198)
Total comprehensive income for the period		-	(299,198)	(1,511,902)	(1,811,100)
<i>Transactions with owners in their capacity as owners</i>					
Contributions of equity, net of transaction costs		3,786,975	-	-	3,786,975
Issue of share capital on conversion of options		414,000	-	-	414,000
Balance at 31 December 2020		39,634,035	3,044,701	(23,239,574)	19,439,162

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 2020

	Consolidated	
	31 December 2020 \$	31 December 2019 \$
Cash flows from operating activities		
Payments to suppliers	(823,390)	(2,442,004)
Net cash used in operating activities	(823,390)	(2,442,004)
Cash flows from investing activities		
Payments for exploration and evaluation	(1,354,684)	(2,123,728)
Net cash used in investing activities	(1,354,684)	(2,123,728)
Cash flows from financing activities		
Proceeds from issue of shares, net of transaction costs	4,119,543	1,853,097
Proceeds from borrowings	200,000	-
Repayment of borrowings	(167,500)	(472,502)
Proceeds from convertible securities	-	1,650,000
Net cash from financing activities	4,152,043	3,030,595
Net increase/(decrease) in cash and cash equivalents	1,973,971	(1,535,137)
Cash and cash equivalents at the beginning of the financial year	55,511	1,725,366
Cash and cash equivalents at the end of the period	2,029,482	190,229

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

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LAKE RESOURCES NL
Notes to the financial statements
for the half year ended 31 December 2020**Note 1. Significant accounting policies**

These general-purpose financial statements for the interim half year reporting period ended 31 December 2020 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 2020 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.

Prior Period Adjustment

In the financial statements for the year ended 30 June 2020, the Consolidated entity identified as part of the accounting and consolidation of its foreign operations in Argentina that the functional currency that reflects the primary economic environment in which those entities operate is US Dollars in accordance with the requirements of AASB 121 The Effects of Changes in Foreign Exchange Rates. This determination was as a result of the commencement of significant exploration activities, denominated mainly in US dollars in the foreign operations which commenced from 1 July 2018.

The Consolidated entity therefore determined that its accounting policy relating to Foreign Currency Translation was not applied accurately and resulted in a misstatement arising as a result of foreign exchange movements not being recognised in accordance with the policy which led to an understatement of its Exploration and evaluation expenditure and the foreign currency translation reserve. For the financial statements for the half-year ended 31 December 2020, the misstatement only affects the calculation of the foreign currency translation reserve for the comparative (2019) period.

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.

Impact of COVID-19 on Operations

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has been financially neutral for the Consolidated entity up to 31 December 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation continues to develop and is dependent on measures imposed by the Australian Government, the Argentine Government, and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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 \$1,511,902 and net cash outflows from operating and investing activities of \$2,178,074 for the half year ended 31 December 2020. At 31 December 2020, the Company had net current assets of \$1,240,346.

The Directors note the following with regards to the ability of the Consolidated entity to continue as a going concern:

LAKE RESOURCES NL
Notes to the financial statements
for the half year ended 31 December 2020

- a. Subsequent to 31 December 2020, the Consolidated entity has issued 188,437,607 shares to raise \$25,700,000 before costs with the effect that at the date of this report the Consolidated entity holds in excess of \$A24,000,000 in cash.
- b. The Consolidated entity has previously issued options to investors with exercise prices that are now less than the current share price. The expected exercise of these options will provide the Consolidated entity with additional funds.
- c. The Directors have prepared cash forecasts which indicate that current funds are sufficient to meet the current year's program of work including the DFS and associated drilling, and exploration work, and the required hydrological, environmental and technical studies planned for the forthcoming 12-month period.
- d. The Consolidated entity has previously been very successful in raising funds through share placements, short term loans and capital raisings from new and existing shareholders to fund its activities.
- e. In addition to the above, on 3 March 2021, the Consolidated entity announced the appointment of SD Capital Advisory Limited and GKB Ventures Limited as joint financial advisors to structure and arrange project finance, with a focus on Export Credit Agencies ("ECA's"), for the development of the Kachi Lithium Brine Project in Argentina.

Note 2. 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 2020	30 June 2020
	\$	\$
Exploration and evaluation assets - at cost	18,198,563	17,352,504

Movements in exploration and evaluation expenditure for the period were as follows:

	31 December 2020
	\$
Opening balance at 1 July 2020	17,352,504
Additions - direct exploration costs	1,446,889
Foreign currency movement	(299,199)
Impairment	(301,631)
Balance at 31 December 2020	<u>18,198,563</u>

During the period, the Consolidated Entity determined that as a result of the focus on the Argentinian projects, a review of the project in Chile be undertaken in the second half of the financial year. A provision for impairment of 100% of the expenditure incurred to date has been recorded in the financial statements at 31 December 2020 pending the outcome of this review.

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

LAKE RESOURCES NL
Notes to the financial statements
for the half year ended 31 December 2020
Note 4. Equity.

a) Issued capital.

	Consolidated			
	31-Dec-20 Shares	30-Jun-20 Shares	31-Dec-20 \$	30-Jun-20 \$
Ordinary shares fully paid	786,128,624	656,461,957	39,634,035	35,433,060
Treasury shares	40,000,000	15,000,000	-	-
Total	826,128,624	671,461,957	39,634,035	35,433,060

Movements in ordinary share capital during the six months ended 31 December 2020 were as follows:

	Date	No of Shares	\$
Opening balance		656,461,957	35,433,060
<i>Issues of shares pursuant to:</i>			
Placement@ \$0.03 (a)	1-Sep-20	85,666,667	2,570,000
Conversion of Performance rights	1-Sep-20	5,000,000	-
Controlled Placement Agreement	1-Sep-20	15,000,000	495,000
Controlled Placement Agreement	24-Sep-20	15,000,000	900,000
Increase of security under CPA (b)	27-Nov-20	25,000,000	-
Transfer to Treasury shares (b)	27-Nov-20	(25,000,000)	-
Exercise of SBI options	14-Dec-20	9,000,000	414,000
Transaction costs		-	(178,025)
Balance at 31 December 2020		786,128,624	39,634,035

(a) On 1 September 2020, 1,083,333 of the placement shares were issued to repay a loan, the balance of which was settled in cash. A further 916,667 shares we issued to settle loan fees and 679,728 were issued to settle trade payables relating to professional services. As these shares were issued at \$0.03 no gain or loss was recorded in accordance with Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments.

(b) On 27 November 2020, the Consolidated Entity announced that it had agreed to extend the existing Controlled Placement Agreement ("CPA") with Acuity Capital until 31 January 2023 and to increase the facility from \$A4.5 million to \$A10 million. In this regard the Consolidated Entity agreed to increase the shares held as security by Acuity under the CPA by 25 million shares to 40 million.

b) Options

	Consolidated 31 December 2020	
	Date	No of Options
Opening balance	1-Jul-20	100,867,693
Exercise of SBI options	14-Dec-20	(9,000,000)
Expiry of options unexercised	31-Dec-20	(9,500,000)
Balance at 31 December 2020		82,367,693

LAKE RESOURCES NL
Notes to the financial statements
for the half year ended 31 December 2020

Note 4. Equity (continued)

c) **Performance Rights**

	Consolidated	
	31 December 2020	
	Date	No of Perform Rights
Opening balance	1-Jul-20	15,000,000
Shares issued to Directors following vesting	1-Sep-20	(5,000,000)
Balance at 31 December 2020		10,000,000

Note 5. Equity -reserves

	Consolidated	
	31 December 2020	30 June 2020
	\$	\$
Capital profits reserve	4,997	4,997
Options reserve	2,379,932	2,379,932
Performance shares reserve	345,000	345,000
Foreign capital translation reserve	314,772	613,970
Balance at period end	3,044,701	3,343,899

a) *Capital profits reserve*

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

b) *Option reserve*

The option reserve is to recognise the fair value of options issued for share based payment to employees and service providers in relation to the supply of goods or services.

c) *Performance rights reserve*

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

d) *Foreign currency translation reserve*

The foreign currency translation reserve recognises exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars.

Note 6. Events after the reporting period

On 8 January 2021 the Company commenced the Definitive Feasibility Study (DFS) for the Kachi Lithium Brine Project, with the appointment of Hatch as the lead consultant. Associated work streams to run in parallel with the DFS include the environmental and social impact study (ESIA), continued community engagement, and a demonstration plant to be commissioned on-site later in 2021.

On 3 March 2021, the Company announced the appointment of SD Capital Advisory Limited and GKB Ventures Limited as joint financial advisors to structure and arrange project finance, with a focus on Export Credit Agencies ("ECA's"), for the development of the Company's flagship Kachi Lithium Brine Project in Argentina.

LAKE RESOURCES NL
Notes to the financial statements
for the half year ended 31 December 2020

Note 6. Events after the reporting period (continued)

On 20 January 2021, the Company announced that it had secured DTC approval to allow real-time electronic clearing and settlement in the United States for its ORTCQB- listed common shares through the Depository Trust & Clearing Corporation.

On 25 January 2021 the Company announced it had received commitments for A\$20,625,000 (before costs) to issue approximately 125,000,000 new ordinary shares at an offer price of \$0.165 per share to institutional investors. Every two new offer shares had one attached option (approximately 62,500,000) with an exercise price of A\$0.30 with a two-year expiry, subject to shareholder approval (which was received at an EGM held on 9 March 2021).

On 15 February 2021 the Company advised that BDO Audit Pty Ltd ('BDO') had been appointed as auditor of the Company with effect from 15 February 2021 following the resignation of Stanley & Williamson and ASIC's consent accordance with s329(5) of the Corporations Act 2001 (Cth).

During the period since 31 December 2020 to the date of this report the Company issued 63,437,607 million shares in addition to the 125 million shares placed on 25 January 2021 to raise approximately \$5,093,371 million before costs.

No other matter or circumstance has arisen since 31 December 2020 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 7. Earnings per share

	Consolidated	
	31-Dec-20	31-Dec-19
	\$	\$
Loss after income tax attributable to the owners of Lake Resources NL	<u>(1,511,902)</u>	<u>(2,308,839)</u>

Weighted average number of ordinary shares used in calculating basic and diluted earnings per share

	Consolidated	
	31-Dec-20	31-Dec-20
	No of	No of
	Shares	Shares
	<u>762,677,537</u>	<u>508,261,228</u>
Basic earnings per share (cents)	(0.19)	(0.45)
Diluted earnings per share (cents)	(0.19)	(0.45)

Options are considered anti-dilutive as the company is loss making.

Note 8. Share Based Payments

During the period the Company has not issued any share based payments (2019:\$772,979):

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LAKE RESOURCES NL
Directors' declaration
for the half year ended 31 December 2020

In the directors' opinion:

1. The financial statements and notes:
 - a). comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - b. give a true and fair view of the Consolidated entity's financial position as at 31 December 2020 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 (4th 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



Stephen Promnitz
Director

16 March 2021

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Lake Resources NL

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Lake Resources NL (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, a summary of statement of 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 accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2020 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibility of the directors for the 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2020 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*.

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.

BDO Audit Pty Ltd



R M Swaby
Director

Brisbane, 16 March 2021

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