

Quarterly Report

For the quarter ended 30 June 2021

ASX:LKE | FRA:LK1 | OTC:LLKKF

lakeresources.com.au

Highlights

- Strong interest for low-cost project debt finance of Lake's flagship Kachi Lithium Project indicated by over half a dozen major international banks for approximately 70% of total funding required, subject to support from Export Credit Agencies (ECA's).
- Expansion case to double production to 50,000 tpa LCE initiated due to increasing global demand for battery-quality lithium.
- Drilling underway at Kachi Project to support expansion of future production and upgrade Kachi's Total Resource from M&I Resources to Reserves for DFS.
- Definitive Feasibility Study (DFS) continues for Kachi with Hatch as lead consultant, with completion anticipated in Q1 2022.
- Lake well-funded through to final investment decision (FID) on construction finance, anticipated in mid-2022. Cash of A\$26 million (US\$19.2m) as at end June.
- Discussions expanded with a wider group of potential offtakers and electric vehicle makers due to high quality of Kachi product and low CO2 footprint, low water use and low land use.
- Investor interest grows due to the strong financials of the Kachi Pre-Feasibility Study, with US\$1.6 billion NPV8 (post tax), 35% IRR and US\$260 million annual EBITDA.
- Lake progressively expanding its team to support development into production with the appointment of new Chief Financial Officer, Peter Neilsen, together with appointment of experienced Argentina-based energy and natural resources lawyer, Ms Amalia Sáenz, as Non-Executive Director.
- Market data continues to indicate a growing lithium supply shortfall from early 2022.

LAKE RESOURCES NL

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Executive Summary

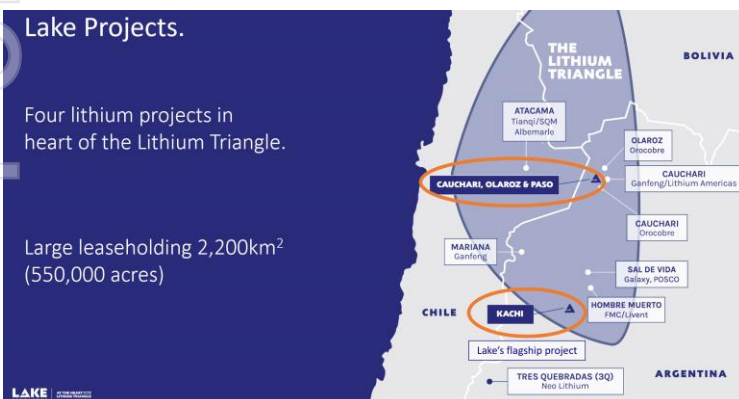
Lake Resources NL (ASX:LKE OTC:LLKKF) is a lithium developer utilising clean, direct extraction technology for the development of high purity lithium products with significant ESG benefits from its flagship Kachi Project (4.4mt LCE resource), and three other lithium brine projects in Argentina. No mining is involved in the brine processing.

Lake owns over 220,000 hectares (0.5 million acres) of leases in a prime location within the Lithium Triangle, alongside all 5 major lithium producers.

A key difference in Lake's development plan to lithium production is to use an efficient direct lithium extraction method (DLE) from our technology partner, Lilac Solutions Inc. This enables Lake Resources to be a cost competitive supplier of high-purity lithium carbonate with a low carbon (CO₂) footprint, low water use and low land use – strong Environmental, Social, Governance (ESG) benefits.

Pilot plant modules are operating at the Lilac facility in California USA using brines from Lake's Kachi Lithium Brine Project that produce lithium chloride for conversion into lithium carbonate. High purity battery quality lithium carbonate (99.97% purity) with very low impurities has been produced (refer ASX announcement 20 October 2020). This product performed successfully in NMC622-based lithium-ion battery test cells based on initial testing by Novonix (refer ASX announcement 2 March 2020).

Lilac's DLE process adapts a widely used water treatment process called ion exchange to produce lithium. This allows the return of virtually all water (brine) to its source without changing its chemistry, apart from lithium removal. The land use is significantly reduced due to the removal of evaporation ponds and the plan to use solar hybrid power ensures a low carbon footprint. These ESG benefits have expanded discussions to a wider group of potential offtakers and electric vehicle makers as supply shortfalls emerge.



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Operations

Kachi Lithium Brine Project Catamarca Province, Argentina

Lake Resources' 100%-owned Kachi Lithium Brine Project in Catamarca province, NW Argentina, covers an entire large lithium brine-bearing basin with 39 mining leases (74,000 hectares). Lake aims to develop the project into production of 25,500 tpa battery quality lithium carbonate in H1, 2024 by using the efficient DLE method from Lilac Solutions, as established in the Kachi Pre-Feasibility Study (PFS).

Kachi has a large indicated and inferred resource of 4.4 Mt LCE (Indicated 1.0Mt, Inferred 3.4Mt) (refer ASX announcement 27 November 2018). Only 20% of the current resource is used over 25 years of production.

Strong financial results from the PFS show a project value NPV8 of US\$1.6 billion, a 35% IRR and high operating margins with an annual EBITDA of US\$260 million (refer ASX announcement 17 March 2021 and 28 April 2020). The capital cost (capex) estimate is US\$544 million, with an operating cost (opex) of US\$4178/tonne Li₂CO₃.

Definitive Feasibility Study (DFS)

The Definitive Feasibility Study (DFS) is progressing for the Kachi Lithium Brine Project, with Hatch as the lead consultant. Completion is anticipated in Q1, 2022.

An energy optimisation study has shown that solar hybrid power is suitable for the project which delivers a low carbon footprint and is expected to lower the operating costs.

The Environmental and Social Impact Study (ESIA) has advanced with Knight Piesold over a 30km x 50km area, together with continued community engagement.

Figure 1: Location of Lake projects in north-west Argentina

Operations

Kachi Lithium Brine Project

Expansion Case to Double Kachi Production

An expansion case to double production to 50,000 tpa LCE has been initiated due to increasing demand. Additional drilling is underway to support the expansion of future production and upgrade Kachi's Resources to Reserves and for the conversion of Inferred Resources into the Measured and Indicated Mineral Resource category.

Drilling Underway to Support Doubling Lithium Production

Drilling is underway at Kachi Project to support an expansion of future production, targeting 50,000tpa LCE. A four well, 1,600m diamond drill program is advancing, with brine sampling and pump testing. The program may be extended given all equipment is on site.

Infill drilling is designed to assist the conversion of resources to a higher category with increased data and convert Kachi's M&I Resources to Reserves for the DFS.

Project Finance Advances

Strong interest for lower cost project debt finance of the Kachi Project has been indicated by over half a dozen major international banks subject to support from Export Credit Agencies (ECA's).

Initial outcomes are for a significantly lower cost of capital with long dated 10 year debt finance, targeting approximately 70% of the total funding required. The 'sweet spot' for ECA debt repayments is between 5 to 8 years post construction and build-out.

SD Capital Advisory Limited and GKB Ventures Limited were appointed as joint financial advisors to structure and arrange project finance, with a focus on ECA's. Export credit offers a low cost and secure form of debt funding which will maximise value for shareholders and minimise risks to the Company. Preliminary indications are positive for supporting a production expansion. A short list of ECA's and banks will be provided in the coming months.

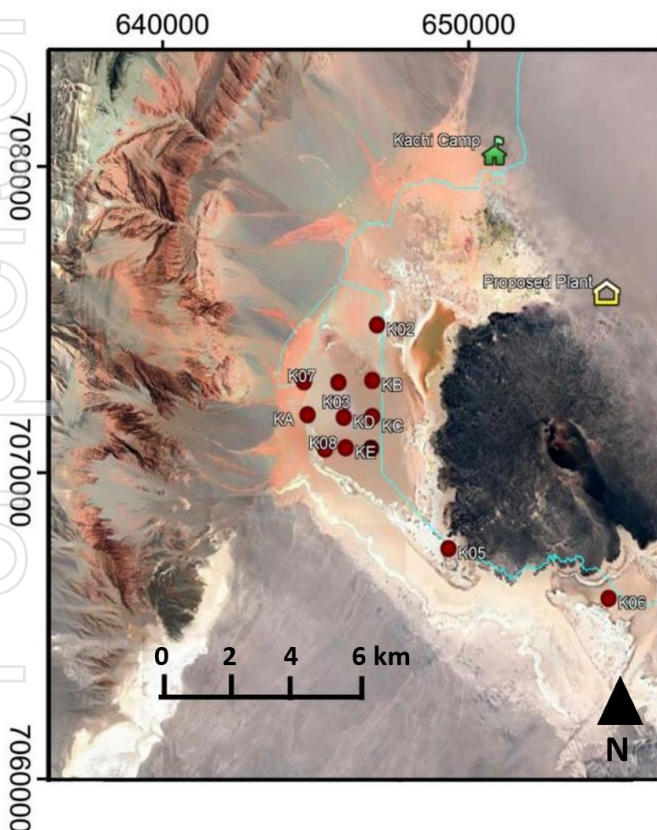


Figure 2: Location of Kachi Project drillholes – past and planned. Drilling to upgrade resource at Kachi Project.

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CLEANER LITHIUM
FOR AN ELECTRIC WORLD

Operations

Cauchari, Olaroz and Paso Lithium Brine Projects Jujuy Province, Argentina

Lake holds mining leases over 47,000 hectares over three projects in Jujuy Province in north-west Argentina, including the Cauchari, Olaroz and Paso Projects. 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.

Direct lithium extraction methods will be tested from its Cauchari, Olaroz and Paso Brine Projects, with lithium brine samples to be sent from the Cauchari Project for testing. This will be followed by a scoping study to expand future production, including environmental impact studies and drilling for a resource statement.

Lake has previously confirmed multiple high-grade lithium brines zones over a 506m interval (102m to 608m depth) in drilling in 2019 at the Cauchari Project (refer ASX announcement 23 August 2019). This drilling confirmed similar grades and lithium brines extending into Lake's properties from the adjoining Ganfeng/Lithium Americas JV production development at Cauchari. The higher-grade results averaged 493 mg/L lithium over 343m (from 117m to 460m), up to 540 mg/L.

Corporate

New Non-Executive Director

Lake has strengthened its Board with the appointment of Ms Amalia Sáenz, an Argentina based experienced energy and natural resources lawyer, as a Non-Executive Director. Ms Sáenz is a partner at the law firm, Zang, Bergel & Viñes in Buenos Aires, where she leads the firm's energy and natural resources practice. She will assist Lake and its local team in Argentina and facilitate increased engagement with key local stakeholders, while enhancing Lake's Board diversity and independence together with corporate governance.

For further information please contact:

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Corporate

Cash Position and Finance

Lake held cash of A\$26 million (US\$19.2 m) as at 30 June 2021 (in AUD, USD and Argentine Pesos) with no debt.

The Company is financed through to the Final Investment Decision (FID) and construction finance phase, including the Definitive Feasibility Study (DFS) for the Kachi project.

Listed \$0.10 options expired in June 2021 and were progressively converted over time with an uptake of approximately 93% which raised approximately \$4.8 million.

Capital Structure

Lake has 1,060,277,327 shares on issue as at 27 July 2021. Unlisted options include 15,000,000 options with an exercise price of \$0.09 (expiry July 2021) which are expected to be converted in the coming days. Also 71,550,000 unlisted options with an exercise price of A\$0.30 (9 Mar 2023 expiry), 1,500,000 unlisted options with an exercise price of A\$0.30 (24 May 2023 expiry) and 1,000,000 unlisted options with an exercise price of A\$0.165 (27 Jan 2023 expiry).

Payments to related parties of the entity and their associates:

Amounts paid and accrued to related parties of the entity and their associates during the quarter were \$247,500. These amounts related to normal Directors fees including the salary of the Managing Director and consulting fees for the company's executive technical director for the Definitive Feasibility Study and the Chairman for ongoing marketing and fundraising activities.

New Chief Financial Officer

Peter Neilsen has been appointed as Chief Financial Officer (CFO), primarily to guide a panel of international project financiers and to assist Lake's team in Argentina to organise development activities and lithium production. He will also serve as joint Company Secretary. Peter replaces Garry Gill and the Board thanks Garry for his services over the last 18 months during a transformational period for Lake.

Mr Neilsen is a chartered accountant with more than 20 years' experience in all facets of financial management, asset management and leadership

Twitter: https://twitter.com/Lake_Resources
LinkedIn: <https://www.linkedin.com/company/lake-resources/>
Website: <http://www.lakeresources.com.au>

SCHEDULE OF TENEMENTS

TOTAL NUMBER TENEMENTS TOTAL AREA TENEMENTS:

81 222,136 Ha

REF	TENEMENT NA	NUMBER	AREA H	ERES	PROVI	STATUS
OLAROS - CAUCHARI AREA						
	Cauchari Bajo	2156-D-2016	354	100	Jujuy	Granted
	Cauchari Bajo	2157-D-2016	354	100	Jujuy	Granted
	Cauchari Bajo	2158-D-2016	122	100	Jujuy	Granted
	Cauchari Bajo	2154-D-2016	946	100	Jujuy	Granted
	Cauchari West	2160-D-2016	1936	100	Jujuy	Granted
	Olaroz Centro I	2164-D-2016	268	100	Jujuy	Application
	Olaroz East II	2168-D-2016	2072	100	Jujuy	Granted
	MASA 12	2234-M-2016	2901	100	Jujuy	Granted
	MASA 13	2235-M-2016	3000	100	Jujuy	Granted
	MASA 14	2236-M-2016	3000	100	Jujuy	Granted
	MASA 15	2237-M-2016	3000	100	Jujuy	Granted
PASO AREA						
	Paso III	2137-P-2016	2787	100	Jujuy	Granted
	Paso VI	2140-P-2016	2208	100	Jujuy	Granted
	Paso X	2144-P-2016	1833	100	Jujuy	Granted
	MASA 9	2231-M-2016	2978	100	Jujuy	Granted
	MASA 16	2238-M-2016	2114	100	Jujuy	Granted
	MASA 17	2239-M-2016	2891	100	Jujuy	Granted
	MASA 18	2240-M-2016	3000	100	Jujuy	Granted
	MASA 19	2241-M-2016	3000	100	Jujuy	Granted
	MASA 20	2242-M-2016	3000	100	Jujuy	Granted
	MASA 21	2243-M-2016	2815	100	Jujuy	Granted
	MASA 22	2244-M-2016	1460	100	Jujuy	Application
	MASA 23	2245-M-2016	1540	100	Jujuy	Application
23 Mining leases			47579 Ha			

17953

29626

SCHEDULE OF TENEMENTS

TOTAL NUMBER TENEMENTS: TOTAL AREA TENEMENTS:

81 222,136 Ha

REF	TENEMENT NAME	NUMBER	AREA HECTARES	PROVINCE	STATUS
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OTHER CATAMARCA

Galan Oeste	43-M-2016	3167	100	Catam	Granted
Tornado VII	48-M-2016	6629	100	Catam	Granted
2 Mining leases		9796 Ha			

9796

CATAMARCA PEGMATITES

Petra I	Cateo 52-B-20	####	100	Catam	In Process
Petra II	Cateo 51-B-20	9523	100	Catam	In Process
Petra III	Cateo 49-B-20	9528	100	Catam	In Process
Petra IV	Cateo 50-B-20	8939	100	Catam	In Process
CAT 1 (Petra V)	Cateo 93-B-20	1000	100	Catam	In Process
CAT 2 (Petra V)	Cateo 94-B-20	8475	100	Catam	In Process
CAT 3 (Petra V)	Cateo 95-B-20	####	100	Catam	In Process
CAT 4 (Petra V)	Cateo 98-B-20	####	100	Catam	In Process
La Aguada 1	Mina 116-B-20	2499	100	Catam	Granted
La Aguada 2	Mina 117-B-20	2950	100	Catam	Granted
La Aguada 3	Mina 99-B-20	1558	100	Catam	In Process
La Aguada 4	Mina 173-B-20	2929	100	Catam	Granted
La Aguada 5	Mina 172-B-20	2866	100	Catam	Granted
La Aguada 6	Mina 174-B-20	2999	100	Catam	Granted
La Aguada 7	Mina 137-B-20	2919	100	Catam	Granted
La Aguada 8	Mina 139-B-20	1587	100	Catam	Granted
La Aguada 9	Mina 138-B-20	2607	100	Catam	Granted
9 Mining leases 8 exploration leases		90,379 Ha			

90379

SCHEDULE OF TENEMENTS

REF	TENEMENT NAME	NUMBER	AREA HECTARES	PROVID	STATUS
KACHI AREA					
	Kachi Inca	13-M-2016	858	100	Catam Granted
	Kachi Inca I	16-M-2016	2881	100	Catam Granted
	Kachi Inca II	17-M-2016	2823	100	Catam Granted
	Kachi Inca III	47-M-2016	3354	100	Catam Granted
	Kachi Inca V	45-M-2016	305	100	Catam Granted
	Kachi Inca VI	44-M-2016	110	100	Catam Granted
	Dona Amparo	22-M-2016	3000	100	Catam Granted
	Dona Carmen	24-M-2016	874	100	Catam Granted
	Debbie I	21-M-2016	1501	100	Catam Granted
	Divina Victoria	25-M-2016	1266	100	Catam Granted
	Daniel Armanc	23-M-2016	2116	100	Catam Granted
	Daniel Armanc	97-M-2016	1388	100	Catam Granted
	Escondidita	131-M-2018	373	100	Catam Granted
	Irene	28-M-2018	2250	100	Catam Granted
	Maria Luz	34-M-2017	2425	100	Catam Granted
	Maria I	140-M-2018	889	100	Catam Granted
	Maria II	14-M-2016	888	100	Catam Granted
	Maria III	15-M-2016	1396	100	Catam Granted
	Morena 1	72-M-2016	3025	100	Catam Granted
	Morena 2	73-M-2016	2989	100	Catam Granted
	Morena 3	74-M-2016	3007	100	Catam Granted
	Morena 4	29-M-2019	2968	100	Catam Granted
	Morena 5	97-M-2017	1415	100	Catam Granted
	Morena 6	75-M-2016	1606	100	Catam Granted
	Morena 7	76-M-2016	2805	100	Catam Granted
	Morena 8	77-M-2016	2961	100	Catam Granted
	Morena 9	30-M-2016	2822	100	Catam Granted
	Morena 12	78-M-2016	2704	100	Catam Granted
	Morena 13	79-M-2016	3024	100	Catam Granted
	Morena 15	162-M-2017	2559	100	Catam Granted
	Pampa I	129-S-2013	2312	100	Catam Granted
	Pampa II	128-M-2013	1119	100	Catam Granted
	Pampa III	130-M-2013	477	100	Catam Granted
	Pampa IV	78-M-2017	2569	100	Catam Granted
	Pampa 11	201-M-2018	815	100	Catam Granted
	Parapeto 1	133-M-2018	2504	100	Catam Granted
	Parapeto 2	134-M-2018	1259	100	Catam Granted
	Parapeto 3	132-M-2018	1892	100	Catam Granted
	Gold Sand I	238-M-2018	853	100	Catam Granted
39 Mining leases			74382 Ha		

74382

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

LAKE RESOURCES N.L.

ABN

49 079 471 980

Quarter ended ("current quarter")

30 June 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(190)	(699)
(e) administration and corporate costs	(838)	(2,394)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,028)	(3,093)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(2)	(2)
(d) exploration & evaluation (if capitalised)	(1,687)	(4,145)
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:	-	-
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,689)	(4,147)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	27,116
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	3,910	7259
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(1,493)
3.5	Proceeds from borrowings	-	200
3.6	Repayment of borrowings	-	(200)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	24,410	28,562

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	24,682	56
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,028)	(3,093)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,689)	(4,147)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,910	32,882

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	107	285
4.6	Cash and cash equivalents at end of period	25,982	25,982

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	25,982	24,682
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Proceeds from SPP held in trust pending issue of shares	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	25,982	24,682

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

173

75

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (refer below)	30,000	-
7.4 Total financing facilities	30,000	-

7.5 Unused financing facilities available at quarter end	30,000
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.	
<p>The Company entered into a Controlled Placement Agreement (the Agreement) in August 2018 with Acuity Capital Pty Ltd. On 27 November 2020, the Company announced that it had agreed to extend the Agreement until 31 January 2023 and to an increase in the facility limit to \$10 million which was further increased to \$30 million. Under the Agreement, the Company retains full control of all aspects of the placement process. There are no requirements on the Company to utilise the Agreement and it may terminate the Agreement at any time, without cost or penalty.</p>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(1,028)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(1,689)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(2,717)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	25,982
8.5 Unused finance facilities available at quarter end (Item 7.5)	30,000
8.6 Total available funding (Item 8.4 + Item 8.5)	55,982
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	20.60

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: n/a.

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: n/a

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: n/a.

Compliance statement

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

Date: 30 July 2021

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.