



Lake Resources N.L.

A.B.N. 49 079 471 980

25 May, 2016.

Manager Company Announcements,
ASX Limited.

Acquisition Agreement

To Acquire Lith NRG P/L, a Private Company with Lithium Exploration Applications in Argentina

Directors wish to advise that Lake Resources N L has signed a conditional purchase agreement for all the shares in Lith NRG Pty Ltd, a private explorer with lithium-focused exploration applications in Argentina together with a small capital raising to fund exploration.

The agreement is conditional on completion of due diligence and approval by shareholders at a general meeting.

Basic Terms:

- Lake Resources (LKE), which has 95,876,034 shares on issue, would acquire Lith NRG Pty Ltd, which is a private Australian company with potential lithium exploration applications in NW Argentina, subject to successful Due Diligence.
- Proposed consideration for the purchase of 50% of Lith NRG P/L would be 50,000,000 LKE Completion shares (fully paid ordinary shares in LKE), once shareholders approve the transaction and a key Condition Precedent is satisfied, namely that the rights to the exploration applications in Argentina be transferred into an Argentine subsidiary wholly owned by Lith NRG P/L, which is currently underway.
- A further 50% of Lith NRG would be acquired for two tranches of 25,000,000 Performance Rights in LKE (Milestone Shares), converted on achievement of certain milestones, including when 50% of the current titles applications are granted and a minimum \$2 million future capital raising.
- Options would be issued at 1 option for every 2 LKE shares at \$0.05 per share, with an 18 month expiry, granted as each Condition Precedent and hurdle is met.
- A capital raising of \$0.5 million at \$0.02 per share, fully committed, would be conducted with the transaction to fund exploration.
- Two new experienced directors would be appointed once the key Condition Precedent is met.

Deal Aspects, LKE Changes and Rationale:

- **Securities:** LKE has 95,876,034 shares on issue. 50,000,000 LKE Completion shares would be issued to Lith NRG shareholders for 50% of Lith NRG once LKE shareholders approve the transaction and Conditions Precedent are met, together with 25,000,000 options at \$0.05 (18 month expiry). A committed capital raising of \$500,000 at \$0.02 (25,000,000 shares) would be undertaken, with major LKE shareholders approached. This would increase the shares on issue to 170,876,034 once completed.

- **Future Securities:** Future hurdles, if met, would then allow for the issuance of 50,000,000 fully paid ordinary shares in LKE upon conversion of the Performance Rights to LKE shares(Milestone Shares), with 25,000,000 Performance Rights converting when a minimum of \$2 million is raised for LKE, and 25,000,000 Performance Rights converting when 50% of the current titles applications are granted. A future capital raising is premised on advancement with the exploration process. Upon conversion of the Performance Rights, in addition to the issuance of LKE fully paid ordinary shares, options would be issued at 1 option for every 2 LKE ordinary shares issued at \$0.05 per share, with an 18 month expiry. [Removed commentary]
- **Annual Profit and Revenue:** LKE has been a minerals explorer and will continue to be and therefore no revenue or profit is anticipated.
- **Exploration Expenditure:** To successfully explore the application areas, plus meet administration and working capital costs, a capital raising of \$500,000 is proposed of which \$400,000 would be for exploration costs. LKE has reduced its total expenditure to \$47,000 for the last 9 months while seeking an appropriate new project with funding which is why the change in exploration spend appears to be significant.
- **Board:** Two new seats on the LKE board are proposed with two current directors retiring, once the key Condition Precedent has been met. One of the new directors is proposed to become Managing Director, a geologist with significant experience with lithium in Argentina. A salary and incentive package would be provided at market rates.
- **Related Parties:** There no related parties involved.

Exploration Tenements:

- The exploration tenements comprise a total of 40 Mining Lease Applications totalling approximately 66,000 Hectares in 3 areas in north west Argentina (see attached location map).
- In the Olaroz-Cauchari area , applications have been lodged for 21 tenements covering an area of 18,726 Hectares.
- In the Paso area applications have been lodged for 10 tenements covering an area of 29,549 Hectares.
- In the Kachi area applications have been lodged for 9 tenements covering an area of 18,501 Hectares. Five additional applications in this area have been rejected.
- Applications for additional tenements are anticipated.



**Peter Gilchrist,
Managing Director**

