

Lake Resources N.L.

ANNUAL REPORT **2016**

Corporate Strategy

Lake Resources' mission has always been to develop a profitable minerals discovery business, concentrating on the effective use of the geosciences and leveraging these skills to make strategic investments. To this end, our focus is on:

- Exploration in the most prospective areas for world-class deposits that will attract major mining companies as joint venture partners at an appropriate stage.
- Use of the most cost-effective practices and technologies including multispectral satellite images, reprocessing and reinterpretation of existing databases and application of appropriate deposit models.
- Formation of alliances with major mining companies for exploration and development of the Company's discoveries.
- Development of a revenue stream comprising net smelter royalties and net profits interests when mining companies develop deposits discovered by us.
- Seed capital investments in other emerging resources sector companies.

The board considers that the corporate culture required for successful mineral exploration is significantly different from the culture of the downstream businesses of mining and smelting.

Accordingly, Lake Resources does not place a high priority on becoming a miner, preferring, instead, to retain royalty and net profits interests in its discoveries and to remain focussed on its core business of mineral exploration.

Company Directory

Lake Resources N.L.

A.B.N. 49 079 471 980

Directors

Ross Johnston
Chairman

Peter J Gilchrist
Managing Director

James G Clavarino
Exploration Director

Registered Office

3-7 Maud Street
Newstead QLD 4006
GPO Box 1239
Brisbane 4001 Australia

Contacts

Telephone: +61 7 3257 1111
+61 7 3252 0255
Facsimile: +61 7 3257 2122
Email: lakeresources@lakeresources.com.au

Auditors

Nexia Brisbane Audit Pty Ltd
Level 28, 10 Eagle Street
Brisbane 4000, Australia

Bankers

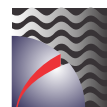
Australia and New Zealand Banking Group Limited
102 Brisbane Street
Ipswich 4305, Australia

Share Registry

Link Market Services Limited
Level 15, 324 Queen Street
Brisbane 4000, Australia

ASX Code

LKE



Chairman's Report

Dear Shareholder,

During the previous year, the company entered a joint venture for its Chagai Project in Balochistan, Pakistan. The project is situated in the Tethyan magmatic arc, which extends from Turkey, through Iran into Pakistan and hosts a number of world-class copper gold deposits including the Saindak copper-gold mine and the giant Reko Diq copper-gold deposits.

Under the terms of the joint venture, Colt Resources Middle East (CRME) can earn a majority interest in the project through exploration expenditure of US\$1.9 million within 3 years and a further US\$3.1 million within a further period of 3 years.

During the year under review, no significant exploration activities were undertaken on the project pending approval of government security clearances for key project personnel – the security clearances were granted in June 2016.

Meanwhile, the company continued to investigate other investment and exploration opportunities.

On 25th May 2016 the company advised in an announcement to ASX Limited, that it had 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 capital raising to fund exploration.

The agreement is conditional on completion of due diligence and approval by shareholders at the company's annual general meeting.

I wish to thank my fellow directors, management and contractors for their contribution to the operation of the company. Thanks also to you, our shareholders, for your ongoing support. We look forward to your continuing association with Lake Resources.

Ross Johnston
Chairman

Exploration Projects

Mineral exploration is an inherently risky undertaking. Typically, for every one thousand mineral occurrences investigated, only one hundred warrant drilling and of these, only one ultimately proves to be economically mineable.

Factors that influence investment decisions for scarce exploration funds include geological prospectivity, availability of geological, geophysical and exploration data, access to land, sovereign risk, government policies, infrastructure and competitive advantages.

From its incorporation in 1997, Lake concentrated its early efforts in Pakistan and Sweden. In 2004, the Company wound down exploration in Sweden and shifted its focus to a promising new exploration play in Argentina, whilst continuing exploration in Pakistan. In late 2005, work in Argentina was terminated to concentrate on the company's more advanced copper and gold targets in Pakistan.



Pakistan

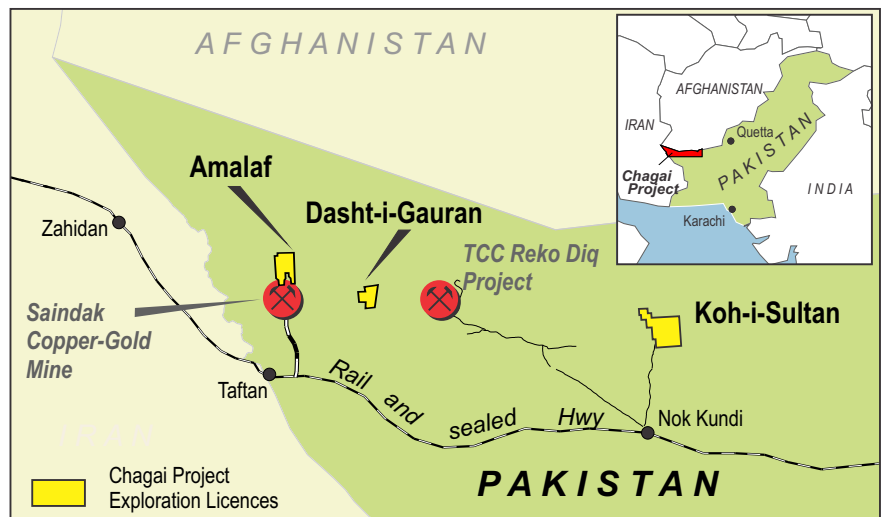
CHAGAI PROJECT

Lake Resources is exploring for epithermal gold and porphyry copper-gold deposits in the Chagai region in western Balochistan through a joint venture with Colt Resources Middle East.

The project area is situated in the Tethyan Magmatic Arc which extends from Turkey through Iran into Pakistan. Important mineral deposits in the Arc include the Reko Diq porphyry copper-gold deposit and the Saindak copper-gold mine.

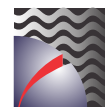
Access is by sealed highway from the provincial capital of Quetta to the border with Iran. A wide-gauge railway parallels the highway.

Lake Resources began regional exploration in the Chagai region following the granting of a 10 000 sq km Reconnaissance Licence (RL) in early 1998. In March 2000, the RL was relinquished and four Exploration Licences (ELs), covering 920 sq km, were granted to Lake. These ELs expired in March 2009 and were replaced with three new ELs that were granted for a period of three years and subsequently renewed, over reduced areas (approx. 50%) for a further period of three years to September 2015.



During 2014-15, the company entered into an Exclusivity Agreement and associated Shareholders Agreement and Share Subscription Agreement with Colt Resources Middle East (CRME) and Aamir Resources Consultants whereby CRME can earn a majority interest in the Chagai Project through exploration expenditure of US\$1.9 million within 3 years and a further US\$3.1 million within a further period of 3 years. Lake's initial interest in the project is 27.5%, reducing to 15% equity or a 10% carried interest if minimum exploration expenditure is met by the incoming parties under certain conditions.

Pursuant to these agreements, Lake Resources surrendered its three exploration licences and new exploration licences covering the same areas as the surrendered licences were granted to the Pakistan-incorporated operating entity, Chagai Resources (Pvt.) Limited for a period of 3 years, effective 12th June 2015. Lake Resources' interest in Chagai Resources is held through a wholly owned Pakistan-incorporated subsidiary, Lake Mining Pakistan (Pvt.) Limited.



Tenement details are set out below.

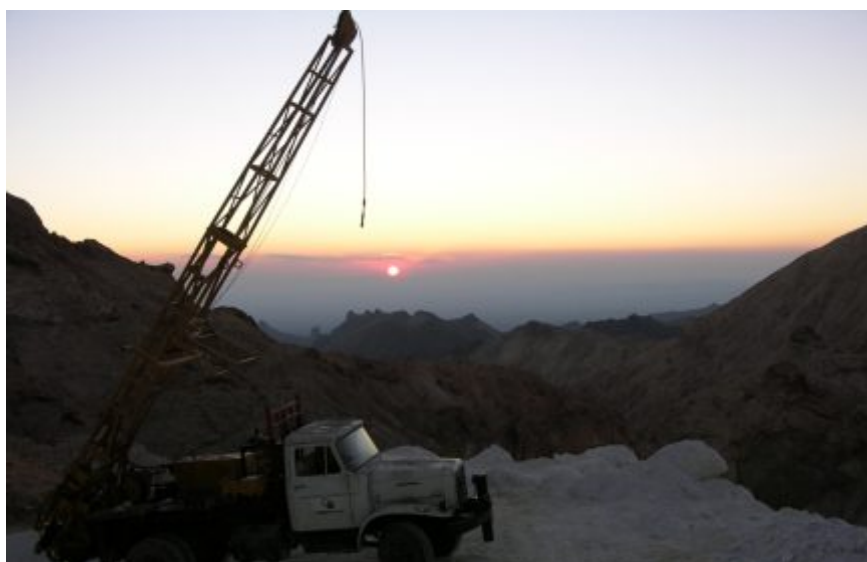
Chagai Resources Balochistan Tenements

Tenement	EL Number	Area (sq km)	Lake Interest	Date of Grant	Date of Expiry
Amalaf	(143)/2801-02	46.7	(see above)	12/06/2015	11/06/2018
Dasht-i-Gauran	(144)/2803-4	29.1	(see above)	12/06/2015	11/06/2018
Koh-i-Sultan	(145)/2805-6	85.1	(see above)	12/06/2015	11/06/2018

A condition of the new licences is that the Balochistan Government should have up to a 25% interest in the licences – the government previously advised that preparation of a draft agreement was under way.

The **Amalaf** area adjoins the northern boundary of the Saindak copper-gold mine. The exploration target is large tonnage - low grade copper amenable to low-cost open-pit mining and trucking to the adjacent Saindak mine operated by Chinese company Metallurgical Construction Corporation (MCC). In 2005, one of two RC percussion holes drilled by Lake intersected low-grade copper-molybdenum (see previous annual reports for details).

The **Dasht-i-Gauran** area is situated to the west of copper mineralisation reported by TCC from drilling at its Sor Baroot Prospect at the Reko Diq Project, and covers a number of possible alteration zones identified from interpretation of satellite images.



At **Koh-i-Sultan**, exploration targets are world-class copper and gold deposits associated with an extensive system of intensely altered breccia and volcanics on the margin of an extinct volcanic caldera. Lake Resources undertook drilling programs in 2005, 2007-8 and 2012. Geologically significant copper, gold and trace elements were intersected in a number of holes — these results, reported in detail in previous annual reports, support the potential for economic porphyry copper-gold deposits.

During the year under review, site visits to the project area were undertaken by CRME personnel to assess infrastructure and access requirements and a detailed program and budget for resumption of exploration on the licence areas was prepared.

Commencement of field work was delayed pending approval of government security clearances for key project personnel – the security clearances were granted in June 2016.

New Projects

As pointed out in the Chairman's Report, the company continues to investigate other investment and exploration opportunities.

Lith NRG Pty Ltd

On 25th May 2016 the company advised in an announcement to ASX Limited, that it had 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 capital raising to fund exploration (see location map below).

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

Basic Terms:

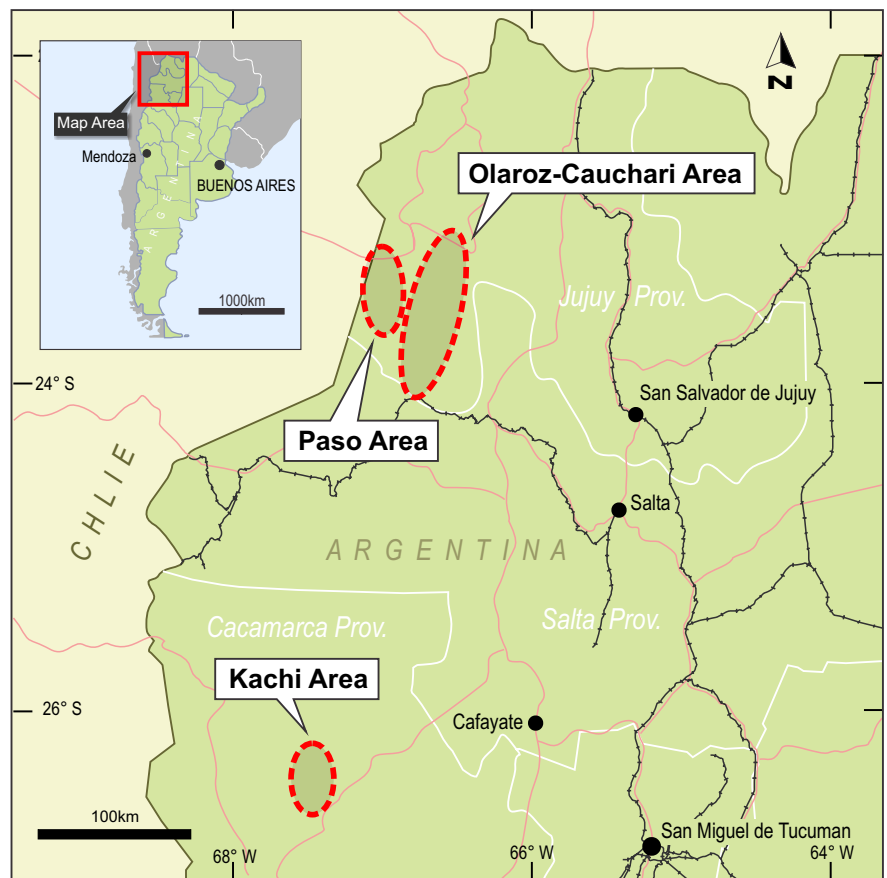
- Lake Resources (LKE), which has 95,876,034 shares on issue, would acquire Lith NRG Pty Ltd, which is a private Australian company with potential lithium exploration applications in NW Argentina, subject to successful Due Diligence.
- Proposed consideration for the purchase of 50% of Lith NRG P/L would 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.

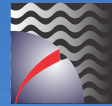
- Options would be issued at 1 option for every 2 LKE shares at \$0.05 per share, with an 18 month expiry, granted as each Condition Precedent and hurdle is met.
- A capital raising of \$0.5 million at \$0.02 per share, fully committed, would be conducted with the transaction to fund exploration.
- Two new seats on the LKE board are proposed, 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.

Exploration Tenements:

- As at 20 July 2016, the exploration tenements comprised a total of 53 Mining Lease Applications totalling approximately 94,000 Hectares in 3 areas in north-west Argentina - Olaroz-Cauchari, Paso and Kachi (see location map below).

Shareholders will have the opportunity to vote on the agreement at the company's annual general meeting in the September 2016 quarter.

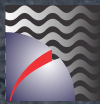




Lake Resources N.L.



The information in this report that relates to Exploration Results, is based on information compiled by Jim Clavarino who is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Clavarino is Exploration Director of Lake Resources NL and is employed by Argent Resources Pty Ltd. Mr. Clavarino has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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'. Mr. Clavarino consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.



Lake Resources N.L.

3-7 Maud Street
Newstead QLD 4006
GPO Box 1239
Brisbane 4001 Australia

Telephone: +61 7 3252 0255
Facsimile: +61 7 3257 2122
Email: lakeresources@lakeresources.com.au

www.lakeresources.com.au