

24 October 2019

FUNDING FACILITY EXTENSION

Lithium explorer and developer **Lake Resources NL (ASX:LKE)** announced in February 2019 that it had secured a two-tranche funding facility to provide bridging capital for project development and exploration activities for the Company’s 100%-owned lithium brine projects in Argentina (refer ASX announcement 28 February 2019).

The second tranche of this facility, an additional \$1.5 million (Second Investment Amount), has been provided to Lake under the terms of the facility with the continued support of the current provider, SBI Investments (PR), LLC, who has subscribed for convertible notes in the Company. Amvest Capital Inc (through Mann Mann Jensen Partners LP) acted as North American placement agent.

Funds are being used to fast track the direct extraction pilot plant test work and commissioning, firstly in California, before the first modules depart for the company’s 100%-owned Kachi Project in Argentina, as well as for PFS support and general working capital purposes. As the securities will only be issued to a professional investor, the Company does not intend to issue a prospectus or other disclosure document in relation to the Notes. The Company will utilise its available capacity to issue equity securities under ASX Listing Rule 7.1 for the issue of the Securities.

Lake’s Managing Director, Steve Promnitz said: *“Construction of the pilot plant to test direct extraction of lithium brines from the Kachi brine project in Argentina is well advanced. Our plan is to firstly test larger volumes of brines sourced from the Kachi project at Lilac’s facilities in California before we re-locate the first modules to site in Argentina. We anticipate a steady stream of news as we advance the pilot test program, and we are still on track for the first modules to be on site early next calendar year.*

A summary of the key terms of the Securities was provided in the release on 28 February 2019 and set out below are the additional terms applicable to the Second Investment Securities:

Issuer:	Lake Resources N.L. ACN 079 471 980.
Investor:	SBI Investments (PR), LLC
Second Investment Amount:	A\$1,500,000
Maturity Date:	The Securities will mature on the date that is 12 months from the date of issue (Maturity Date).
Interest Rate:	The Securities attract interest at 12% per annum, compounded monthly, payable quarterly in arrears in cash.
No Shorting:	The Investor will not, and will cause its affiliates not to, engage in shorting of the Company shares while the Convertible Securities Agreement is in place.
Options:	The Investor will be issued 18,300,000 3 year options exercisable at \$0.046
Fees:	A 6% fee on funds raised paid to the broker/dealer. Amvest Capital Inc (acting through Mann Mann Jensen Partners LP) acted as North American placement agent. Due diligence fees and legal fees were incurred at the cost of the Issuer.

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**AT THE HEART OF THE
LITHIUM TRIANGLE**

24 October 2019

CLEANSING NOTICE issued under section 708A(12C)(e) of the Corporations Act 2001 (Cth) (as notionally inserted by ASIC Corporations (Sale Offers: Securities Issued on Conversion of Convertible Notes) Instrument 2016/82 and as modified by ASIC Instrument 19-0331)(“Cleansing Notice”)

Lake Resources NL (ASX: LKE) (**Lake** or the **Company**) announced on 28 February 2019 the completion of a \$1.65 million financing package (**Facility**) via the issue of unsecured convertible securities (**Convertible Notes** or **Securities**) to a North American investor.¹ As part of this Facility a second tranche of funding of \$1.5million has now been made available to the Company via the issue of further unsecured Convertible Notes.

The issue of this Cleansing Notice enables the fully paid ordinary shares in the capital of the Company (**Shares**) issued on the conversion of the Convertible Notes issued by the Company on the terms described below to be on-sold to retail investors without further disclosure.

This Cleansing Notice is important and should be read in its entirety. Neither ASIC nor the ASX take responsibility for the contents of this Cleansing Notice.

Background to the ASIC Relief

As the North American investor is a sophisticated investor for the purposes of section 708 of the Corporations Act, the Convertible Notes were issued without disclosure under Part 6D.2 of the Corporations Act.²

Section 708A(12C)(e) of the Corporations Act (as notionally inserted by Instrument 2016/82) broadly allows for the on-sale of securities issued on conversion of convertible notes where, in part, the relevant entity issues a cleansing notice that complies with section 708A(12D) on the same day as, or within 2 business days before, the day on which the convertible notes were issued.

The issue of this Cleansing Notice therefore enables the Shares to be issued by the Company on the conversion of the Convertible Notes on the terms described below, to be on-sold to retail investors without further disclosure.

Cleansing Notice

This Cleansing Notice sets out the following:

- 1) in relation to the issue of the Convertible Notes:
 - a) the effect of the issue on the Company;
 - b) a summary of the rights and liabilities attaching to the Convertible Notes;

¹ Refer the Company's announcement of 28 February 2019 titled "U.S. financial backing to advance lake Resources key projects".

² Refer the Company's announcement of 28 February 2019 titled "U.S. financial backing to advance lake Resources key projects" for further details of the issue of the Securities and the Facility.

- c) a summary of the rights and liabilities attaching to the Shares that will be issued on conversion of the Convertible Notes; and
- 2) any information that:
 - a) has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules;
 - b) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - ii) the rights and liabilities attaching to the Shares; and
- 3) any other information relating to the Company's status as a disclosing entity and where certain documents may be obtained.

The effect of the issue on the Company

The principal effects of the second issue of the Convertible Notes on the Company were to:

- 1) increase the Company's cash reserves by \$1.5 million (before any expenses associated with the issue of the Convertible Notes);
- 2) increase the number of unlisted unsecured convertible notes (including the Convertible Notes) on issue from 305,000 to 1,955,000;
- 3) increase the Company's indebtedness by the amount of the face value of the Convertible Notes (\$1,650,000,) plus all accrued and unpaid interest; and
- 4) if the Convertible Notes are converted, either in whole or in part, increase the number of Shares on issue as a consequence of the issue of the Shares on conversion of the Convertible Notes and the liability position of the Company decreasing accordingly.

Rights and liabilities attaching to the Convertible Notes

A summary of the key rights and liabilities attaching to the second tranche of Convertible Notes (Securities) , and is reproduced in Schedule 1 of this Cleansing Notice.

Rights and liabilities attaching to Shares issued on conversion of the Convertible Notes

The Shares to be issued on the conversion of the Convertible Notes will rank equally in all respects with all of the Company's existing Shares. The rights attaching to Shares, including the new Shares to be issued on the conversion of the second tranche of Convertible Notes, are set out in the Company's constitution (**Constitution**) and, in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general law.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which can be inspected, free of charge, at the Company's registered office during normal business hours. A broad summary of the rights, privileges and restrictions attaching to all Shares is set out below. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of shareholders.

1) *Voting*

At a general meeting of the Company on a show of hands, every member present in person, or by proxy, attorney or representative has one vote and upon a poll, every member present in person, or by proxy, attorney or representative has one vote for every fully paid up Share held by them. In the case of a partly paid share, a fraction of a vote equivalent to the proportion which the amount paid up on that member's share bears to the total amounts paid and payable (excluding amounts credited) on that share.

2) *Dividends*

Subject to law and any special rights and restrictions attached to any Shares:

- a) the directors may declare and pay dividends as appear to them to be justified by the profits of the Company; and
- b) all dividends shall be paid to Shareholders in proportion to the number of Shares held by them irrespective of the amount paid or credited as paid on the Shares on which the dividend is to be paid.

3) *Winding up*

If the Company is wound up and after payment of all debts and satisfaction of liabilities a surplus remain, it may be distributed amongst Shareholders entitled to it in proportion to the number of Shares held by each of them regardless of the amounts paid up on the Shares.

4) *Further Increases in Capital*

Subject to restrictions on the issue or grant of securities contained in the ASX Listing Rules, ASX Settlement Operating Rules, the Constitution and the Corporations Act (and without affecting any special right previously conferred on the holder of an existing share or class of shares), the Directors have the right to issue shares or grant options over unissued shares to any person and they may do so at such times as they think fit and on the conditions they think fit.

Such shares may have preferred, deferred or other special rights or special restrictions about dividends, voting, return of capital, participation in the property of the Company on a winding up or otherwise, as the directors think fit.

5) *Variation of Rights*

The rights attached to any class of shares may, unless their terms of issue state otherwise, be varied:

- a) with the written consent of the holders of 75% of the shares of the class; or
- b) by a special resolution passed at a separate meeting of the holders of shares of the class.

6) *Transfer of securities*

Generally, the shares and options in the Company will be freely transferable, subject to satisfying the usual requirements of security transfers on the ASX. The Directors may decline to register any transfer of shares but only where permitted to do so under its Constitution or the ASX Listing Rules.

7) *Sale of non-marketable holdings*

The Company may take steps in respect of non-marketable holdings of shares in the Company to effect an orderly sale of those shares in the event that holders do not take steps to retain their holdings.

The Company may only take steps to eliminate non marketable holdings in accordance with the Constitution and the ASX Listing Rules.

8) *Alteration of Constitution*

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

Pro forma balance sheet of the Company taking into account issue of the Securities

Set out below is a pro forma consolidated Statement of Financial Position as at 30 June 2019 for the Company based on the consolidated Statement of Financial Position as at 30 June 2019 for the Company adjusted to reflect the issue of Convertible Notes issued by the Company (exclusive of costs), prepared on the basis of the accounting policies normally adopted by the Company.

The pro forma financial information is presented in an abbreviated form in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements. The pro forma financial information is not audited. The classification of the allocations between debt and equity for the Securities may change in the future.

Lake Resources NL ACN 079 471 980 Pro forma Statement of Financial Position as at 30 June 2019

	Actual 30-Jun-19	Convertible Notes Issued	Pro forma 30-Jun-19
Current Assets			
Cash and cash equivalents	1,725,366	1,500,000	3,225,366
Trade and other receivables	151,679		151,679
Other current assets	54,687		54,687
Total Current Assets	1,931,732	1,500,000	3,431,732
Non-Current Assets			
Investments accounted for using the equity method	35		35
Property, plant and equipment	1,198		1,198
Exploration and evaluation	13,312,658		13,312,658
Total Non-Current Assets	13,313,891	-	13,313,891
Total Assets	15,245,623	1,500,000	16,745,623
Current Liabilities			
Trade and other payables	1,320,203		1,320,203
Employee benefits	55,492		55,492
Borrowings - current	1,428,079		1,428,079
Total Current Liabilities	2,803,774		2,803,774
Non-Current Liabilities			

Convertible Notes	-	1,650,000	1,650,000
Total Non-current Liabilities	-	1,650,000	1,650,000
Total Liabilities	2,803,774	1,650,000	4,453,774
Net assets	12,441,849		12,291,849
Equity			
Issued capital	27,758,605		27,758,605
Reserves	1,508,020		1,508,020
	-		-
Accumulated losses	16,824,776		16,824,776
Total Equity	12,441,849		12,441,849

Potential effect on Share Structure

As at the date of this Cleansing Notice, the issued capital of the Company and the options and convertible securities held in respect of the Company, including the Convertible Notes, is as follows:

Type of security	Securities on issue as at the date of this Cleansing Notice
Shares	526,314,583
Listed Options	52,512,693
Unlisted options	48,355,555
Convertible notes	1,955,000

The Company will issue 1,650,000 Convertible Notes. The capital structure of the Company will be affected by any conversion of the Convertible Notes, which will result in additional Shares being issued and the liability position of the Company decreasing accordingly.

The Convertible Notes are convertible into Shares based on the conversion formula set out in Schedule 1. The number of Shares issued on conversion will therefore depend on the selected volume weighted average prices (VWAP) for Shares as at the date of conversion. Assuming that all Convertible Notes were converted in accordance with the conversion price at 90% of \$0.038 (the closing price of Shares on 22 October 2019 used for indicative purposes only), then the number of Shares issued on conversion would be 48,245,614 (exclusive of any Shares that could be issued on conversion of any accrued but unpaid interest).

The actual effect on the Share capital of the Company will differ depending on how many Convertible Notes are converted and the volume weighted average price nominated prior to conversion. As at the date of this Cleansing Notice, no Convertible Notes have been converted.

Compliance with disclosure obligations

The Company is a “disclosing entity” under the Corporations Act and, accordingly, is subject to regular reporting and disclosure obligations under both the Corporations Act and the ASX Listing Rules.

These obligations require the Company to notify ASX of information about specific events and matters as they arise. In particular, the Company is obliged to continuously disclose to the market promptly and without delay any information which a reasonable person would expect to have a material effect on the price or value of the Shares.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a Directors’ statement and report, and an audit report or review. The Company is also required to prepare and lodge a quarterly report.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office. The Company will provide a copy of each of the following documents, free of charge, to any person on request:

- 1) the annual financial report most recently lodged by the Company with ASIC, being the financial report of the Company for the year ended 30 June 2019 (**2019 Financial Report**); and
- 2) any continuous disclosure documents given by the Company to ASX after the lodgement of the 2019 Financial Report and before the lodgement of this Cleansing Notice with ASX.

A list of the continuous disclosure documents given by the Company to ASX after the lodgement of the 2019 Financial Report and before the lodgement of this Cleansing Notice is set out in the table below.

Date	Announcement
14/10/2019	Appendix 3B
09/10/2019	Advisor Appointed for Debt Funding
03/10/2019	Lake Securities to resume trading
03/10/2019	Reinstatement to Official Quotation
02/10/2019	Annual Financial Report

Information excluded from the continuous disclosure notice

As at the date of this Cleansing Notice, the Company advises that it has fully complied with its disclosure obligations under the ASX Listing Rules and the Corporations Act, and, in particular, there is no information which the Company has excluded from any of its continuous disclosure notices given in accordance with the ASX Listing Rules and the Corporations Act as at the date of this Cleansing Notice which it would be reasonable for investors and their professional advisors to require for the purpose of making an informed assessment of:

- 1) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- 2) the rights and liabilities attaching to the Convertible Notes and Conversion Shares.

For further information please contact:

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Follow Lake on Twitter: https://twitter.com/Lake_Resources

Follow on LinkedIn: <https://www.linkedin.com/company/lake-resources/>

Website: <http://www.lakeresources.com.au>

About Lake Resources NL (ASX:LKE)

Lake Resources NL (ASX:LKE, Lake) is a lithium exploration and development company focused on reaching pre-production in early 2020 using an ethical, efficient direct extraction process to develop lithium brine projects. The three lithium brine projects, owned 100% by lake, 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 at the lowest cost. Lake holds one of the largest lithium tenement packages in Argentina (~200,000Ha). The large holdings and direct extraction technique provide the potential to provide consistent security of supply, scalable as required, which is demanded by battery makers and electric vehicle manufacturers.

The Kachi project covers 70,000 ha over a salt lake south of FMC's lithium operation and near Albemarle's Antofalla project in Catamarca Province. Drilling at Kachi has confirmed a maiden indicated and inferred resource of 4.4 Mt LCE (Indicated 1.0Mt and Inferred 3.4Mt) over a large lithium brine bearing basin 800+m deep, from 16 drill holes (3100m) (refer ASX announcement 27 November 2018).

A direct extraction technique using ion exchange has been lab tested for more than 6 months in partnership with Lilac Solutions, which has shown 80-90% recoveries and lithium brine concentrations 50-60,000 mg/L lithium. Phase 1 Engineering Study results have shown operating costs forecast in the lowest cost quartile (refer ASX announcement 10 December 2018). This process is will be trialed on site with a pilot plant as part of the PFS underway, ready by year end. Discussions are advanced with downstream entities, mainly battery makers, to jointly develop the project.

The Olaroz-Cauchari and Paso brine projects are located adjacent to major world class brine projects either in production or being developed in the highly prospective Jujuy Province. The Olaroz-Cauchari project is located in the same basin as Orocobre's Olaroz lithium production and adjoins the Ganfeng Lithium/Lithium Americas Cauchari project, with high grade lithium with high flow rates drilled immediately across the lease boundary.

The Cauchari project has shown lithium brines over 506m interval with high grades averaging 493 mg/L lithium (117-460m) and high flow rates, with up to 540 mg/L lithium. These results are similar to lithium brines in adjoining pre-production areas under development and infer an extension and continuity of these brines into Lake's leases (refer ASX announcements 28 May, 12 June 2019).

Significant corporate transactions continue in adjacent leases with development of Ganfeng Lithium/Lithium Americas Cauchari project with Ganfeng announcing a US\$237 million for 37% of the Cauchari project previously held by SQM, followed by a further US\$160 million to increase Ganfeng's equity position to 50% on 1 April 2019, together with a resource that had doubled to be the largest on the planet. Ganfeng then announced a 10 year lithium supply agreement with Volkswagen on 5 April 2019. Nearby projects of Lithium X were acquired via a takeover offer of C\$265 million completed March 2018. The northern half of Galaxy's Sal de Vida resource was purchased for US\$280 million by POSCO in June-Dec 2018. These transactions imply an acquisition cost of US\$55-110 million per 1 million tonnes of lithium carbonate equivalent (LCE) in resources.

For more information on Lake, please visit <http://www.lakeresources.com.au/home/>

Schedule 1: Summary of key terms of the Convertible Notes (Securities)

Issuer:	Lake Resources N.L. ACN 079 471 980.
Type and class of securities:	The Securities constitute direct, unsubordinated and unsecured debt obligations of the Issuer.
Quotation:	The Securities will be unlisted and accordingly, will not be quoted on ASX.
Conditions:	The obligations of the Investor to subscribe for the securities and advance the funds are subject to the satisfaction of a number of conditions, including but not limited to: <p style="margin-left: 40px;">(a) the Company having existing placement capacity or obtaining shareholder approval for the issue of the Securities;</p>
Funded Amount:	Second investment Amount - \$1,500,000
Face Value:	The Securities will be issued with a Face Value of \$1.00
Status and Ranking:	The Securities rank equally amongst themselves and at least equally with all other direct, unsubordinated and unsecured obligations of the Issuer.
Negative Pledge:	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). The Investor may elect for the Securities to be repaid in part where the Company intends to enter into arrangements such as incurring any debt in excess of that existing at the issue date, for more than \$300,000, materially changing or ceasing to carry on its business.
Transfer:	The Securities are initially non-transferrable, except to other Sophisticated Investors or Professional Investors (within the meaning of the Corporations Act). The Issuer may, at its discretion, issue a prospectus pursuant to section 713 of the Corporations Act to facilitate further transferability of the Securities.
Conversion:	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 The Securities will be Converted in accordance with the following formula: Number of Shares = ARA / Conversion Price Where: ARA means the aggregate of the Repayment Amount of the Convertible Security being converted by the Investor, plus any accrued (but unpaid) Interest which is due and payable on the Conversion Date. Conversion Price means 90% of three VWAP's of the Shares selected by the Investor for the 20 Trading Days ending on the date of the Conversion Notice.
No Shorting:	The Investor will not, and will cause its affiliates not to, engage in shorting of the Company shares while the Convertible Securities Agreement is in place.
Second Investment Amount	
Interest Rate:	The Securities issued under the Second Investment Amount attract interest at 12% per annum, compounded monthly, payable quarterly in advance in cash.
Maturity Date:	The Securities will mature on the date that is 12 months from their date of issue.
Options:	The Investor will initially be issued 18,300,000 options exercisable at \$0.046 with a 36 month expiry period in connection with the Second Investment Amount.