

# **LAKE RESOURCES N.L.**

ABN 49 079 471 980

**FINANCIAL REPORT  
FOR THE YEAR ENDED**

**30 JUNE 2009**

# LAKE RESOURCES N.L.

ABN 49 079 471 980

## DIRECTORS' REPORT

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Your directors present their report of the company for the year ended 30 June 2009.

### Directors

The directors of the company at any time during or since the end of the year are:

	Meetings Attended	Meetings Eligible to Attend
R Johnston - Chairman (Independent Director)	4	4
J.C. Clavarino - Exploration Director	3	4
P.J. Gilchrist - Managing Director	4	4

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Because of the small size of the company, the board of directors has not formed an audit committee as all board members take an active role in all audit matters.

### Company Secretary

The company secretary of the company during the year has been PJ Gilchrist.

### Principal Activities

The principal activity of the company in the course of the year was mineral exploration in Pakistan.

There were no significant changes to the nature of the principal activities of the company during the financial year.

### Operating Results

The operating loss after applicable income tax was \$266,588 (2008: loss \$85,657).

### Dividends

No dividend has been proposed or paid during the financial year.

### Review of Operations

During the year the company concentrated on further geological evaluation of its tenements in Pakistan. The results of recent exploration activity are considered highly encouraging given the early stage of drilling activity. Please refer to ASX announcements during the financial year for more detailed discussion of exploration activity.

### Significant Changes in State of Affairs

During the year the company issued 9,552,718 ordinary shares for \$1,119,523. There were no other significant changes in the state of affairs of the company, that have not mentioned elsewhere in the financial report.

# **LAKE RESOURCES N.L.**

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## **DIRECTORS' REPORT**

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### **Future Developments, Prospects and Business Strategies**

The company will continue to concentrate on the next phase of its current mineral exploration programme in Pakistan. The Pakistan tenements of the company, which expired on 19 March 2009, have been subsequently replaced with new exploration licences granted for a further three years, commencing on 10 September 2009.

Granting the new exploration licences is conditional upon the company signing an agreement with the Government of Balochistan within a period of two months from date of grant. Under Clause 12 of the Licence documents provides that the grantee "...will also sign an agreement with the Government of Balochistan within a period of two months regarding participation/entry of the Government of Balochistan in the said licence/project with 12.5% share on 100% discount i.e. without any investment or 25% share with investment in accordance with the Latest Policy of the Government". Negotiations will be

### **Financial Position**

The company has \$0.33m in cash assets. The next phase of the exploration strategy in Pakistan will require additional funds. We expect that this future funding will be sourced from either a share placement or joint venture capital before December 2009.

### **Share Options**

At the date of this report, there were no share options over unissued ordinary shares of the company.

### **Non-Audit Services**

The auditors did not provide non-audit services to the company during the financial year.

All non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor or general principles relating to auditor independence.

### **Officers and Auditors Indemnification**

During the financial period the company paid an insurance premium in respect of a contract insuring the directors of the company, the company secretary and all executive officers of the company against a liability incurred as such by a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The amount of the premium was \$9,250 (2008: \$9,250) for all directors and officers.

The company has not otherwise, during or since the financial year, indemnified or agreed to indemnify any officer or auditor of the company against a liability incurred as an officer or auditor.

### **Corporate Governance**

In recognising the need for the highest standards of corporate behaviour and accountability, the directors support and have adhered to the principles of Corporate Governance. The company's Corporate Governance Statement is included in the Annual Report.

### **Subsequent Events**

The Pakistan tenements of the company, which expired on 19 March 2009, have been subsequently replaced with new exploration licences granted for a further three years, commencing on 10 September 2009.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

### **Environmental Regulations**

The company's operations are not regulated by any significant environmental regulation under the law of the Commonwealth or of a State or Territory.

# LAKE RESOURCES N.L.

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## DIRECTORS' REPORT

### Information on Directors

The Company's Directors have a strong background in mineral exploration, mining engineering, mine management, finance and accounting, with considerable international experience including Australia, USA, Canada, Philippines, Indonesia, Papua New Guinea, Pakistan, Myanmar and Sweden.

NAME	QUALIFICATIONS	APPOINTED
Ross Johnston	B.Com, FCA	08/08/97
Peter J. Gilchrist	B.Eng(Civil), M.Eng Sc, MBA.	08/08/97
James G. Clavarino	FRMIT (Geology) MAIMM, MMICA.	08/08/97

Ross Johnston (Independent Director) - Over 30 years experience as an accountant in public practice, having founded one of the larger independently-owned accountancy practices in Queensland. Has long experience in commercial and financial matters on various boards.

Jim Clavarino (Executive Director) - Has worked as a mineral geologist for over 35 years in Australia and many parts of the world, with considerable experience as a director of mineral exploration companies.

Peter Gilchrist (Executive Director) - Over 30 years experience as an engineer in mining, construction and manufacturing in Australia and USA. He is Executive Chairman of the Aquatec Group, which manufacture and install water treatment equipment for a wide range of customers in the municipal, power and mining industries.

Details of Company Secretary - Peter Gilchrist (Executive Director) has been company secretary since the formation of the company, and has experience as secretary with a number of companies.

Relevant direct interests of the Directors in the shares or options of the Company and related bodies corporate are:-

	Balance 1-7-08 Ord Shares	Change	Balance 30-6-09 Ord Shares
Ross Johnston	-	-	-
Peter J. Gilchrist	-	-	-
James G. Clavarino	-	-	-

Messrs Gilchrist and Johnston have an interest in 3,841,920 ordinary shares held by Kemkay Pty Ltd, a subsidiary of 202 Ltd, of which they are both Directors and Mr Johnston is a shareholder.

Mr Gilchrist is a substantial shareholder in Trenlin Pty Ltd a company which holds 1,692,222 shares in the company.

Mr Gilchrist is a Director of Queensland Energy Pty Ltd a company which holds 1,268,508 shares in the company.

Mr Ross Johnston is a Director and substantial shareholder of Bushfly Air Charter Pty Ltd, a company which holds 2,490,020 shares in the company.

Mr Clavarino is a director and shareholder of JG Clavarino Super Fund Pty Ltd, a company which holds 1,149,400 shares in the company.

Mr Clavarino is a director and shareholder of Lake Gold Pty Ltd, a company which holds 400,000 shares in the company.

### Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

# LAKE RESOURCES N.L.

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## DIRECTORS' REPORT

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### Continued Operations and Future Funding

The financial report has been prepared on a going concern basis that contemplates the continuity of normal operating activities and the realisation of assets and settlement of liabilities in the normal course of business.

At 30 June 2009, the company's balance sheet shows total assets of \$5,409,181, total liabilities of \$29,121, and net assets of \$5,380,060. Current assets total \$354,986 and include cash assets of \$330,138. Current liabilities total \$29,121.

As outlined in previous financial reports and disclosures by the company, the ongoing activities will concentrate on the exploration program in Pakistan. Historically the company has financed these activities through equity.

The company's ability to continue with its planned exploration activities is dependent on having finance available. Current cash forecasts for the forthcoming twelve months show that all existing sources of funds will be substantially utilised, including drawing down on all the existing finance facilities. The next phase of exploration activities will necessitate the sourcing of additional working capital to undertake these planned activities.

The Directors are reviewing exploration activity and corporate expenditures, with a view to obtaining future funding through a share placement or joint venture capital. Directors are confident that funding initiatives will be successful, however there can be no assurance that such funding will in fact be raised and sources of additional funding have not yet been confirmed.

The Directors have formed the view that it is appropriate to prepare the financial report on a going concern basis.

### Remuneration Report

This report details the nature and amount of remuneration for each director of Lake Resources NL, and for the executives receiving the highest remuneration.

#### A. Remuneration policy and practices

The board policy is to remunerate directors at market rates for time, commitment and responsibilities. The board determines payments to the directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of directors' fees that can be paid is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

The directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

As the company has no full-time employees, contract services are engaged and these contract employees are remunerated with cash consideration.

All remuneration paid to directors and executives is valued at the cost to the company and expensed.

#### B. Performance-based Remuneration

The company does not pay any performance-based component of remuneration.

#### C. Company performance, shareholder wealth and director and executive remuneration

As discussed in Part A of the Remuneration Report, the maximum aggregate amount of directors' fees that can be paid to directors is subject to approval by shareholders at the Annual General Meeting and is not linked to the performance of the company. Fees for non-executive directors are not linked to company performance. To align directors' and shareholder interests, the directors are encouraged to hold shares in the company. The company has no full-time employees but engages contactors as necessary.

The current remuneration policy seeks to align director and executive objectives with those of shareholders by recognising the early development stage of the company and the criticality of funds being utilised to achieve development objectives.

# LAKE RESOURCES N.L.

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## DIRECTORS' REPORT

### C. Company performance, shareholder wealth and director and executive remuneration (Cont'd)

The following table shows some key performance data of the company for the last four years, together with the share price at the end of each respective year.

	2006	2007	2008	2009
	\$	\$	\$	\$
Revenue	255,660	129,663	94,947	17,641
Net Loss	118,646	216,244	85,657	266,588
Net Assets	4,750,026	4,533,782	4,448,125	5,380,060
Capitalised Exploration Expenditure	2,403,937	2,692,417	3,769,847	4,947,581
Share Price at Year-end	0.125	0.155	0.325	0.09
Dividends Paid	nil	nil	nil	nil

### D. Key Management Personnel Remuneration for Year Ended 30 June 2009

The remuneration received and receivable for each director and each of the executive officers of the company receiving the highest remuneration during the year was as follows:

2009	Short-term Benefits		Post-employment Benefits	Total	Performance Related
	Cash, salary & commissions	Contract Service Fees	Superannuation Contribution		
Key Management Personnel	\$	\$	\$	\$	%
Ross Johnston	18,349	-	1,651	20,000	-
Jim Clavarino	18,349	103,362#	1,651	123,362	-
Peter Gilchrist	18,349	34,500*	1,651	54,500	-
	55,047	137,862	4,953	197,862	-

2008	Short-term Benefits		Post-employment Benefits	Total	Performance Related
	Cash, salary & commissions	Contract Service Fees	Superannuation Contribution		
Key Management Personnel	\$	\$	\$	\$	%
Ross Johnston	18,349	-	1,651	20,000	-
Jim Clavarino	18,349	140,576#	1,651	160,576	-
Peter Gilchrist	18,349	45,091*	1,651	65,091	-
	55,047	185,667	4,953	245,667	-

### Specified Executives

The company has no specified executives.

\* The company has engaged Trenlin Pty Ltd, a company which Mr PJ Gilchrist is a shareholder to provide professional services to the company.

# The company has engaged Argent Resources Pty Ltd, a company which Mr JC Clavarino is a director, to provide exploration services to the company.

These services are provided on normal commercial terms and conditions, no more favourable than those provided by other parties.

### E. Employment contracts of directors and specified executives

The employment conditions of the managing director, Mr Peter Gilchrist, and the exploration director, Mr Jim Clavarino are not formalised in contracts of employment.

The company does not have any employment contracts.

**LAKE RESOURCES N.L.**

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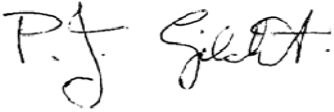
**DIRECTORS' REPORT**

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**Auditor's Independence Declaration**

The auditor's independence declaration for the year ended 30 June 2009 has been received and is attached to the directors' report.

This Directors' Report incorporating the Remuneration Report is signed in accordance with a resolution of the Board of Directors.



P.J. Gilchrist  
Director



R Johnston  
Director

Brisbane, Queensland  
28<sup>th</sup> September 2009

**AUDITOR'S INDEPENDENCE DECLARATION**  
**Under Section 307C of the Corporations Act 2001**

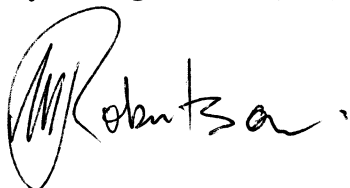
**TO THE DIRECTORS OF LAKE RESOURCES NL**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2009 there have been:

- (i) no contraventions to the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Hayes Knight Audit (Qld) Pty Ltd.

**Hayes Knight Audit (Qld) Pty Ltd**



**AM Robertson**  
Director

Date: 28 September 2009

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAKE RESOURCES NL**

### **Report on the Financial Report**

We have audited the accompanying financial report of Lake Resources NL (the company) which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

#### ***Directors' Responsibility for the Financial Report***

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Lake Resources NL as attached to the directors' report, has not changed as at the date of this auditor's report.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF LAKE RESOURCES NL (continued)

### *Auditor's Opinion*

In our opinion:

- a. the financial report of Lake Resources NL is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the company's financial position as at 30 June 2009 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

### *Inherent Uncertainty - Continued Operations and Future Funding*

Without qualifying our opinion, we draw attention to Note 1 in the financial report which indicates that the company's ability to continue with its planned exploration activities is dependent on having finance available.

As indicated in the note, the Directors are reviewing exploration activity and corporate expenditures, with a view to obtaining future funding through a share placement or joint venture capital. The Directors are confident these initiatives will be successful, and no commitment has yet been made as to the source any additional funding. The Directors have formed the view that it is appropriate to prepare the financial report on a going concern basis.

### **Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Auditor's Opinion*

In our opinion the Remuneration Report of Lake Resources NL for the year ended 30 June 2009 complies with section 300A of the *Corporations Act 2001*.

Hayes Knight Audit (Qld) Pty Ltd.

Hayes Knight Audit (Qld) Pty Ltd

  
AM Robertson

Director

Level 19, 127 Creek Street,  
Brisbane, QLD, 4000

Date: 28 September 2009

**LAKE RESOURCES N.L.**  
ABN 49 079 471 980  
**DIRECTORS' DECLARATION**

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The directors of the company declare that:

- 1 The attached financial statements and notes are in accordance with the Corporations Act 2001 and:
  - (a) comply with Accounting Standards; and
  - (b) give a true and fair view of the company's financial position as at 30 June 2009 and its performance for the year ended on that date.
  
- 2 The Chief Executive Officer and Chief Financial Officer have each declared that:
  - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001; and
  - (b) the financial statements and notes for the financial year comply with the Accounting Standards;  
and
  - (c) the financial statements and notes for the financial year give a true and fair view.
  
- 3 In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.



R Johnston  
Director



PJ Gilchrist  
Director

28<sup>th</sup> September 2009

# LAKE RESOURCES NL

ABN 49 079 471 980

## INCOME STATEMENT for the year ended 30 June 2009

	Note	2009 \$	2008 \$
Revenue	2	17,641	94,947
Classification of Expenses by Function:			
Current year exploration & evaluation expenditure		(4,037)	-
Write-off of deferred exploration costs		-	(16,866)
Administrative expenses		(84,224)	(92,193)
Corporate expenses		(171,968)	(43,698)
Occupancy expenses		(24,000)	(27,847)
<b>Loss before income tax expense</b>	3	<b>(266,588)</b>	<b>(85,657)</b>
Income tax expense	4	-	-
<b>Loss for the year attributable to members of the company</b>		<b>(266,588)</b>	<b>(85,657)</b>
Basic earnings per share (cents per share)	7	(0.009)	(0.003)
Diluted earnings per share (cents per share)	7	(0.009)	(0.003)
Dividends per share (cents per share)		-	-

The accompanying notes form part of these financial statements.

**LAKE RESOURCES NL**

ABN 49 079 471 980

**BALANCE SHEET**

as at 30 June 2009

	Note	2009 \$	2008 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	330,138	936,929
Trade and other receivables	9	23,514	50,140
Other current assets	10	1,334	12,378
<b>Total Current Assets</b>		<b>354,986</b>	<b>999,447</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	106,604	126,177
Exploration and evaluation expenditure	12	4,947,581	3,769,847
Financial assets	16	10	10
<b>Total Non-Current Assets</b>		<b>5,054,195</b>	<b>3,896,034</b>
<b>TOTAL ASSETS</b>		<b>5,409,181</b>	<b>4,895,481</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	29,121	447,356
<b>Total Current Liabilities</b>		<b>29,121</b>	<b>447,356</b>
<b>NON-CURRENT LIABILITIES</b>			
<b>Total Non-current Liabilities</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>29,121</b>	<b>447,356</b>
<b>NET ASSETS</b>		<b>5,380,060</b>	<b>4,448,125</b>
<b>EQUITY</b>			
Issued capital	14	6,939,873	5,741,350
Reserves	15	1,051,609	1,051,609
Accumulated losses		(2,611,422)	(2,344,834)
<b>TOTAL EQUITY</b>		<b>5,380,060</b>	<b>4,448,125</b>

The accompanying notes form part of these financial statements.

# LAKE RESOURCES NL

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## STATEMENT OF CHANGES IN EQUITY

For The Year Ended 30 June 2009

	Issued Capital	Capital Profits Reserve	Asset Revaluation Reserve	Retained Earnings	Total
	\$	\$	\$	\$	\$
<b>Balance 1 July 2007</b>	5,741,350	4,997	1,046,612	(2,259,177)	4,533,782
Net profit/(loss) for period	-	-	-	(85,657)	(85,657)
Subtotal	5,741,350	4,997	1,046,612	(2,344,834)	4,448,125
Dividends paid or provided for	-	-	-	-	-
<b>Balance 30 June 2008</b>	5,741,350	4,997	1,046,612	(2,344,834)	4,448,125
<b>Balance 1 July 2008</b>	5,741,350	4,997	1,046,612	(2,344,834)	4,448,125
Shares issued during the period	1,204,497	-	-	-	1,204,497
Transactions costs	(5,974)	-	-	-	(5,974)
Net profit/(loss) for period	-	-	-	(266,588)	(266,588)
Subtotal	6,939,873	4,997	1,046,612	(2,611,422)	5,380,060
Dividends paid or provided for	-	-	-	-	-
<b>Balance 30 June 2009</b>	6,939,873	4,997	1,046,612	(2,611,422)	5,380,060

The accompanying notes form part of these financial statements.

**LAKE RESOURCES NL**

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**CASH FLOW STATEMENT**

for the year ended 30 June 2009

	Note	2009 \$	2008 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers		(624,177)	218,926
Interest received		17,641	94,947
<b>Net cash provided by/ (used in) operating activities</b>	<b>17</b>	<b>(606,536)</b>	<b>313,873</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capitalised exploration and evaluation expenditure		(762,357)	(1,094,296)
Purchase of property, plant and equipment		(21,044)	(111,112)
<b>Net cash provided by/ (used in) investing activities</b>		<b>(783,401)</b>	<b>(1,205,408)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from share issue		789,122	-
Share issue costs		(5,974)	-
<b>Net cash provided by/ (used in) financing activities</b>		<b>783,148</b>	<b>-</b>
<b>Net increase/(decrease) in cash held</b>		<b>(606,789)</b>	<b>(891,535)</b>
<b>Cash at beginning of year</b>		<b>936,929</b>	<b>1,828,464</b>
<b>Cash at end of year</b>	<b>8</b>	<b>330,140</b>	<b>936,929</b>

The accompanying notes form part of these financial statements.

# LAKE RESOURCES NL

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## Notes to the Financial Statements For the year ended 30 June 2009

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### **Note 1: Statement of Significant Accounting Policies**

The financial report covers Lake Resources NL. Lake Resources NL is a listed public company, incorporated and domiciled in Australia.

#### **Basis of Preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The company has a wholly owned subsidiary, incorporated in Argentina, which is dormant. The company was incorporated to allow Lake Resources NL to open a bank account to support exploration activities in Argentina. The company has no asset or liabilities. Consequently, consolidated financial statements have not been prepared.

#### **Continued Operations and Future Funding**

The financial report has been prepared on a going concern basis that contemplates the continuity of normal operating activities and the realisation of assets and settlement of liabilities in the normal course of business.

At 30 June 2009, the company's balance sheet shows total assets of \$5,409,181, total liabilities of \$29,121, and net assets of \$5,380,060. Current assets total \$354,986 and include cash assets of \$330,138. Current liabilities total \$29,121.

As outlined in previous financial reports and disclosures by the company, the ongoing activities will concentrate on the exploration program in Pakistan. Historically the company has financed these activities through equity.

The company's ability to continue with its planned exploration activities is dependent on having finance available. Current cash forecasts for the forthcoming twelve months show that all existing sources of funds will be substantially utilised, including drawing down on all the existing finance facilities. The next phase of exploration activities will necessitate the sourcing of additional working capital to undertake these planned activities.

The Directors are reviewing exploration activity and corporate expenditures, with a view to obtaining future funding through a share placement or joint venture capital. Directors are confident that funding initiatives will be successful, however there can be no assurance that such funding will in fact be raised and sources of additional funding have not yet been confirmed.

The Directors have formed the view that it is appropriate to prepare the financial report on a going concern basis.

# LAKE RESOURCES NL

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## Notes to the Financial Statements For the year ended 30 June 2009

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### Note 1: Statement of Significant Accounting Policies (Cont'd)

#### Accounting Policies

##### a. Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

##### b. Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

##### Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

# LAKE RESOURCES NL

ABN 49 079 471 980

## Notes to the Financial Statements For the year ended 30 June 2009

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### Note 1: Statement of Significant Accounting Policies (Cont'd)

#### b. Property, Plant and Equipment (Cont'd)

##### Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Motor Vehicles	20%
Plant and equipment	20%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalue assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

#### c. Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are written off as incurred except that they may be carried forward, provided that rights to tenure of an area of interest are current and that the costs are expected to be recouped through the successful development of the area, or sale, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

##### Restoration Costs

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

The company has no obligations for any restoration costs in relation to discontinued operations, nor is it liable for any future restoration costs in relation to current areas of interest, as the evaluation activity undertaken results in minimal disturbance to the areas of interest in question.

Consequently, no provision for restoration has been deemed necessary.

# LAKE RESOURCES NL

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## Notes to the Financial Statements For the year ended 30 June 2009

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### Note 1: Statement of Significant Accounting Policies (Cont'd)

#### d. Financial Instruments

##### Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

##### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

##### Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

##### Impairment

At each reporting date, the company assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

##### Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire.

#### e. Impairment of Assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### f. Foreign Currency Transactions and Balances

##### Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the income statement, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the income statement.

# LAKE RESOURCES NL

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## Notes to the Financial Statements For the year ended 30 June 2009

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### Note 1: Statement of Significant Accounting Policies (Cont'd)

**g. Provisions**

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**h. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

**i. Revenue and other income**

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised using the effective interest method, which, for floating rate financial assets is the rate inherent in the instrument.

All revenue is stated net of the amount of goods and services tax (GST).

**j. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**k. Employee Benefits**

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. Those cashflows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cashflows.

**l. Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to the company, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments to operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

**m. Equity Settled Payments**

The company makes equity settled share based payments to consultants for services provided. The fair value of the equity is measured at grant date and recognised as expenditure, with a corresponding increase to equity.

**n. Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

# LAKE RESOURCES NL

ABN 49 079 471 980

## Notes to the Financial Statements For the year ended 30 June 2009

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### Note 1: Statement of Significant Accounting Policies (Continued)

#### Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

#### *Key Estimates — Impairment*

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment of assets has been identified for the year ended 30 June 2009.

#### *Key Judgments — Carry-forward of Exploration and Development Expenditure*

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of exploration and development assets. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

#### New Accounting Standards for Application in Future Periods

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2008, but have not been applied in preparing this financial report:

- ***Revised AASB 101 Presentation of Financial Statements (2007)*** introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for 30 June 2010 financial statements, is expected to have an impact on the presentation of the financial statements. The company plans to provide total comprehensive income in a statement of comprehensive income for its 2010 financial report.
- ***AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process and AASB 2008-6 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process*** affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for 30 June 2010 financial statements, are not expected to have any impact on the financial statements.
- ***AASB 8 Operating Segments*** introduces the “management approach” to segment reporting. AASB 8, which becomes mandatory for the 30 June 2010 financial statements, will require the disclosure of segment information based on internal reports regularly reviewed by the Board/ Management in order to assess each segment’s performance and allocate resources to them. Currently segment information is prepared on the basis of business and geographical segments. Under the management approach, there will be no change to the disclosure.
- ***AASB 2008-1 Amendments to Australian Accounting Standard – Share Based Payment: Vesting Conditions and Cancellations*** clarifies the definition of vesting conditions, introduces the concept on non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides accounting treatment for non-vesting conditions and cancellation. The amendments to AASB 2 will be mandatory for 30 June 2010 financial statements, with retrospective application. The potential effect of the amendment has not yet been determined.

**LAKE RESOURCES NL**

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**Notes to the Financial Statements  
for the year ended 30 June 2009**

	2009	2008
	\$	\$
<b>NOTE 2: REVENUE</b>		
<b>Revenue</b>		
Interest revenue from other persons	17,641	94,947
<b>Total revenue</b>	<u>17,641</u>	<u>94,947</u>
<b>NOTE 3: PROFIT/(LOSS) FOR THE YEAR</b>		
<b>(a) Expenses</b>		
Exploration & evaluation expenditure written-off	4,037	-
Foreign currency translation losses on cash assets	10,146	1,636
Rental expense on operating leases	-	42,670
Depreciation	40,617	25,239
<b>(b) Significant Revenue and Expenses</b>		
Write-off of capitalised exploration expenditure	-	16,866
<b>NOTE 4: INCOME TAX EXPENSE/(BENEFIT)</b>		
<b>(a) The components of tax expense comprise:</b>		
Current tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
<b>(b) Prima facie tax payable/(benefit) on profit/(loss) from ordinary activities before tax income tax at 30% (2008: 30%).</b>		
	(79,976)	(25,697)
<b>Add tax effect of:</b>		
Non-assessable items	-	(1,546)
Non-allowable items	-	(6,550)
Write-off of exploration expenditure	3,044	5,060
Future income tax benefit of tax losses not brought to account	305,640	351,962
<b>Less tax effect of:</b>		
Temporary differences between income tax and accounting treatment of exploration and other expenditure	(228,708)	(323,229)
<b>Income tax expense</b>	<u>-</u>	<u>-</u>
The weighted average effective tax rate is	-%	-%

# LAKE RESOURCES NL

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## Notes to the Financial Statements for the year ended 30 June 2009

2009	2008
\$	\$

### NOTE 4: INCOME TAX EXPENSE/(BENEFIT) (continued)

The company has unrecovered, unconfirmed carry forward tax losses of approximately \$5.9 million (2008: \$5.6 million).

A deferred income tax asset arising from carry forward tax losses will only be recognised to the extent that:

- (a) it is probable that the company will derive future assessable income of a nature and of an amount sufficient to enable the benefits from the deductions for the losses to be realised;
- (b) the company continues to comply with the conditions for deductibility imposed by the law; and
- (c) no changes in tax legislation adversely affect the company in realising the benefit from the losses.

### NOTE 5: KEY MANAGEMENT PERSONNEL DISCLOSURES

- (a) Names and positions held of company key management personnel in office at any time during the financial year are:

Peter Gilchrist	Managing Director
James Clavarino	Exploration Director
Ross Johnston	Non-Executive Director

- (b) Key Management Personnel Compensation

The company has no employees. The two working directors operate under contracts to provide services, based on commercial rates. Amounts paid during the year are set out in note 18 and in the directors report.

Short term employee benefits*	192,909	240,714
Post-employment benefits	4,953	4,953
	<u>197,862</u>	<u>245,667</u>

\* Includes fees paid for contract services provided

- (c) Shareholdings

Number of shares held by Key Management Personnel

Key Management Personnel	Balance 1/7/08	Received as compensation	Purchases/(sales)	Balance 30/6/09
	No.	No.	No.	No.
Peter Gilchrist	-	-	-	-
James Clavarino	-	-	-	-
Ross Johnston	-	-	-	-

# LAKE RESOURCES NL

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## Notes to the Financial Statements for the year ended 30 June 2009

2009	2008
\$	\$

### NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

#### (c) Shareholdings (cont'd)

Messrs Gilchrist and Johnston have an interest in 3,841,920 (2008: 1,920,960) ordinary shares held by Kemkay Pty Ltd, a subsidiary of 202 Ltd, of which they are both Directors and Mr Johnston is a shareholder.

Mr Gilchrist is a substantial shareholder in Trenlin Pty Ltd a company which holds 1,692,222 (2008: 846,111) shares in the company.

Mr Gilchrist is a Director of Queensland Energy Pty Ltd a company which holds 1,268,508 ( 2008: 395,004) shares in the company.

Mr Ross Johnston is a Director and substantial shareholder of Bushfly Air Charter Pty Ltd, a company which holds 2,490,020 (2008: 1,245,010) shares in the company.

Mr Clavarino is a director and shareholder of JG Clavarino Super Fund Pty Ltd, a company which holds 1,149,400 (2008: 1,149,400 ) shares in the company.

Mr Clavarino is a director and shareholder of Lake Gold Pty Ltd, a company which holds 400,000 (2008: 400,000) shares in the company.

### NOTE 6: AUDITORS' REMUNERATION

Remuneration of the auditor of the company for:

- auditing or reviewing the financial report	23,600	14,750
- other services	-	-
	<u>23,600</u>	<u>14,750</u>

### NOTE 7: EARNINGS PER SHARE

(a) The earnings figure used in the calculation of both the basic EPS and the diluted EPS are the same.	<u>(266,588)</u>	<u>(85,657)</u>
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	31,143,637	25,608,795
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS	<u>31,143,637</u>	<u>25,608,795</u>

#### (c) Classification of Securities

Only ordinary shares existed during the 2009 year.

# LAKE RESOURCES NL

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## Notes to the Financial Statements for the year ended 30 June 2009

	2009	2008
	\$	\$
<b>NOTE 8: CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	21,191	16,924
Short term bank deposit	308,947	920,005
	<u>330,138</u>	<u>936,929</u>
<p>The effective interest rates on short term bank deposits was 3.13% (2008: 6.89%); these deposits have an average maturity of less than 90 days.</p>		
<b>Reconciliation of cash</b>		
<p>Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:</p>		
Cash and cash equivalents	<u>330,138</u>	<u>936,929</u>
<b>NOTE 9: TRADE AND OTHER RECEIVABLES</b>		
<b>Current:</b>		
Other receivables	<u>23,514</u>	<u>50,140</u>
	<u>23,514</u>	<u>50,140</u>
<p>There are no balances within trade and other receivables that contain assets that are impaired and are past due. It is expected these balances will be received when due. Impaired assets are provided for in full.</p>		
<b>NOTE 10: OTHER ASSETS</b>		
<b>Current:</b>		
Prepayments	<u>1,334</u>	<u>12,378</u>
<b>NOTE 11: PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Plant and equipment</b>		
At cost	57,578	69,916
Accumulated depreciation	(39,837)	(44,672)
Total Plant and Equipment	<u>17,741</u>	<u>25,244</u>
<b>Vehicles</b>		
At cost	167,815	146,771
Accumulated depreciation	(78,952)	(45,838)
Total Vehicles	<u>88,863</u>	<u>100,933</u>
Total Property, Plant and Equipment	<u>106,604</u>	<u>126,177</u>

# LAKE RESOURCES NL

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## Notes to the Financial Statements for the year ended 30 June 2009

2009                      2008  
\$                              \$

### NOTE 11: PROPERTY, PLANT AND EQUIPMENT (continued)

#### Movement in carrying amount

Movement in the carrying amounts for each class of property, plant and equipment are set out below:

	2008		
	Vehicles	Plant & Equip.	Total
	\$	\$	\$
Balance at 1 July 2007	25,969	14,335	40,304
Additions	91,210	19,902	111,112
Disposals	-	-	-
Depreciation expense	(16,246)	(8,993)	(25,239)
Carrying amount at 30 June 2008	100,933	25,244	126,177
	2009		
	Vehicles	Plant & Equip.	Total
	\$	\$	\$
Balance at 1 July 2008	100,933	25,244	126,177
Additions	21,044	-	21,044
Disposals	-	-	-
Depreciation expense	(33,114)	(7,503)	(40,617)
Carrying amount at 30 June 2009	88,863	17,741	106,604

### NOTE 12: EXPLORATION AND EVALUATION EXPENDITURE

Exploration and evaluation costs carried forward in respect of areas of interest are:

- at cost	4,947,581	3,769,847
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Movement during the year in exploration and evaluation expenditure:

#### At cost:

Carrying amount at beginning of year	3,769,847	2,692,417
Capitalised exploration and evaluation expenditure	1,177,734	1,094,296
Write down of discontinued exploration tenements	-	(16,866)
Carrying amount at the end of year	4,947,581	3,769,847

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration of minerals. Capitalised costs amounting to \$762,357 (2008: \$1,094,296) have been included in cash flows from investing activities in the cash flow statement.

# LAKE RESOURCES NL

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## Notes to the Financial Statements for the year ended 30 June 2009

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 13: TRADE AND OTHER PAYABLES</b>		
<b>Current:</b>		
Unsecured creditors:		
Sundry creditors and accrued expenses	29,121	447,356
	29,121	447,356

### NOTE 14: ISSUED CAPITAL

35,161,513 (2008: 25,608,795) fully paid ordinary shares	6,939,873	5,741,350
<b>(a) Fully paid ordinary shares</b>		
Balance at the beginning of the reporting period	5,741,350	5,741,350
Shares issued during the year	1,204,497	-
Share issue costs	(5,974)	-
Balance at reporting date	6,939,873	5,741,350
	<b>No.</b>	<b>No.</b>
Balance at the beginning of the reporting period	25,608,795	25,608,795
Shares issued during the year:		
23 July 2008 <span style="float: right;"><b>(a)</b></span>	1,661,500	-
29 December 2008 <span style="float: right;"><b>(b)</b></span>	7,891,218	-
Balance at reporting date	35,161,513	25,608,795

**(a)** On 23 July 2008 the company issued 1,661,510 shares at \$0.25 each as consideration for services rendered and exploration costs incurred.

**(b)** On 29 December 2008 the company issued 7,891,218 shares at \$0.10 each pursuant to a one-for-one non-renounceable rights issue.

Ordinary shares participate in dividends and the proceeds on winding up of the entity in proportion to the number of shares held.

At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

The company does not have any authorised capital.

**(c) Options**

There are no options over shares.

**(d) Capital Management**

Exploration companies such as Lake Resources NL are funded exclusively by share capital. The company has no debt. The company's capital comprises share capital supported by financial assets. Management controls the capital of the company to ensure it can fund its operations and continue as a going concern. Capital management policy is to fund exploration activities by way of equity. No dividend will be paid whilst the company is in its exploration stage. There are no externally imposed capital requirements. There have been no changes in capital management policies since the prior year.

# LAKE RESOURCES NL

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## Notes to the Financial Statements for the year ended 30 June 2009

	2009	2008
	\$	\$
<b>NOTE 15: RESERVES</b>		
(a) <b>Capital Profits Reserve</b>	4,997	4,997
The capital profits reserve records non-taxable profits on sale of investments		
(b) <b>Asset Revaluation Reserve</b>	1,046,612	1,046,612
The asset revaluation reserve records revaluations of non-current assets. Under certain circumstances dividends can be declared from this reserve		
	<u>1,051,609</u>	<u>1,051,609</u>

## NOTE 16: CONTROLLED ENTITY

Name of Entity	% owned	Carrying value of Investment	
Lake Resources Argentina SA (Incorp. in Argentina)	100%	10	10

This company was incorporated to allow Lake Resources NL to open a bank account to support exploration activities in Argentina. It does not operate.

## NOTE 17: CASH FLOW INFORMATION

### Reconciliation of Cash Flow from Operations with Profit/(loss) after Income Tax:

Profit/(loss) after income tax	(266,588)	(85,657)
Non-cash flows in profit:		
Depreciation & amortisation	40,617	25,239
Write-down of capitalised exploration & evaluation expenditure	-	16,866
Changes in operating assets and liabilities:		
Decrease/(Increase) in receivables	26,626	13,196
Decrease/(Increase) in prepayments	11,044	308
(Decrease)/Increase in trade creditors and accruals	(418,235)	374,821
(Decrease)/Increase in provisions	-	(30,900)
Cash flows from operations	<u>(606,536)</u>	<u>313,873</u>

### Non-cash financing and investing activities

#### Share issue

On 23 July 2008 the company issued 1,661,510 shares at \$0.25 each as consideration for services rendered and exploration costs incurred.

# LAKE RESOURCES NL

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## Notes to the Financial Statements for the year ended 30 June 2009

2009	2008
\$	\$

### NOTE 18: RELATED PARTY TRANSACTIONS

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

#### Directors' transactions with the Company

Directors' remuneration is detailed Note 5 (b) and in the remuneration section (Part D) of the directors report.

The company paid Argent Resources Pty Ltd, a company of which Mr J.C. Clavarino is a director, fees for professional services in relation to exploration work undertaken on behalf of the company.

103,362	140,576
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The company paid Trenlin Pty Ltd, a company of which Mr P.J. Gilchrist is a shareholder, fees for professional services undertaken on behalf of the company and for rent of premises on a monthly tenancy.

58,500	45,091
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During the 2008 year the entity rented office space to 202 Ltd, a company of which Mr R Johnston and Mr PJ Gilchrist, directors of the company during the year, are also directors.

-	6,045
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#### Directors' holding of shares and options ( see also Note 5(c))

Directors and director-related entities hold directly, indirectly or beneficially as at the reporting date, the following equity interests in the company:

	No.	
Ordinary shares	10,842,070	5,956,485
Options over ordinary shares	nil	nil

No shares were issued to directors during the year on terms more favourable than those which it is reasonable to expect the entity would have adopted if dealing in an arm's length transaction with an unrelated party.

No options were issued to director related entities during the year (2008: nil), and no options are held by directors or director-related entities.

### NOTE 19: CAPITAL AND LEASING COMMITMENTS

#### Exploration Commitments

In the 2009 financial year the company's obligations in relation to its exploration tenements terminated with the expiry of the tenements on 19th March 2009. These expired tenements have been replaced with new exploration licences commencing on 10 September 2009. Under the terms of the new licences the company has to meet annual rent and undertake exploration over the next three years. This commitment is estimated as follows:

	2009		
	Rent	Exploration	Total
	\$	\$	\$
Not later than one year	24,000	150,000	174,000
Later than 1 year but not later than 5 years	48,000	300,000	348,000
Total commitment	72,000	450,000	522,000

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## Notes to the Financial Statements for the year ended 30 June 2009

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### NOTE 20: CONTINGENT LIABILITIES

Granting the new exploration licences is conditional upon the company signing an agreement with the Government of Balochistan within a period of two months from date of grant. Under the terms of the new licences (which are in accordance with the latest policy of the Government), the company must elect to grant the Government a 12.5% share without any investment or a 25% investment in the venture. No decision has been made by the Board in relation to this election at the date of this report.

### NOTE 21: FINANCIAL RISK MANAGEMENT

#### a. Financial Risk Management Policies

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, as shown in the balance sheet.

#### i. Treasury Risk Management

The directors of the company meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The director's overall risk management strategy seeks to assist the company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Risk management policies are approved and reviewed by the Board on a regular basis. These include future cash flow requirements.

#### ii. Financial Risk Exposures and Management

The main risks the company is exposed to through its financial instruments are interest rate risk, foreign currency risk and liquidity risk.

##### *Interest rate risk*

The company does not have any material exposure to any interest rate risk as the company has no debt. The company's only interest rate risk exposure is in relation to cash on deposit. The company manages interest rate risk as a result of changes in market interest rates through the use of variable term deposits.

##### *Foreign currency risk*

The company is exposed to fluctuations in foreign currencies arising from the purchase of goods and services in currencies other than the company's measurement currency.

##### *Liquidity risk*

The company manages liquidity risk by monitoring forecast cash flows.

##### *Credit risk*

The company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the company.

##### *Price risk*

The company is not exposed to any commodity price risk.

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## Notes to the Financial Statements for the year ended 30 June 2009

### NOTE 21: FINANCIAL RISK MANAGEMENT (Cont'd)

#### b. Financial Instruments

##### i. Financial instrument composition and maturity analysis

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments. As such, the amounts may not reconcile to the balance sheet.

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non-Interest Bearing		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	%	%	\$	\$	\$	\$	\$	\$
<b>Financial Assets:</b>								
Cash	6.89	6.89	330,138	936,929	-	-	330,138	936,929
Other receivables	-	-	-	-	23,514	50,140	23,514	50,140
<b>Total Financial Assets</b>			330,138	936,929	23,514	50,140	353,652	987,069
<b>Financial Liabilities:</b>								
Trade and sundry creditors	-	-	-	-	29,121	447,356	29,121	447,356
<b>Total Financial Liabilities</b>			-	-	29,121	447,356	29,121	447,356

	2009	2008
	\$	\$
<b>Settlement Period:</b>		
<b>Less than 6 months :</b>		
Financial Assets -		
Cash & cash equivalents	330,138	936,929
Sundry receivables	23,514	50,140
	<u>353,652</u>	<u>987,069</u>
Financial Liabilities -		
Sundry payables & accruals	29,121	447,356
	<u>29,121</u>	<u>447,356</u>

##### ii. Net Fair Values

The net fair value of the company's financial assets and liabilities approximate their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form.

Fair values are materially in line with carrying values.

##### iii. Sensitivity Analysis

###### Interest Rate Risk and Foreign Currency Risk

The company has performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

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## Notes to the Financial Statements for the year ended 30 June 2009

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### NOTE 21: FINANCIAL INSTRUMENTS (Cont'd)

#### Interest Rate Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to interest rate risk. At year end, the effect on profit and equity as a result of a 2% (2008: 2%) change in the interest rate, with all other variables remaining constant would be +/- \$12,290 (2008: \$26,383).

#### Foreign Currency Risk Sensitivity Analysis

The company has performed sensitivity analysis relating to its exposure to foreign exchange risk. At year end, the effect on profit and equity as a result of a 10% (2008: 10%) change in the Pakistan Rupee, with all other variables remaining constant would be +/- \$1,840 (2008: \$843).

This exposure arises from the Pakistan Rupee bank accounts. Net exposure is PKR 1,227,243 (2008: PKR 561,734). The company's exposure is minimal.

The company has performed sensitivity analysis relating to its exposure to foreign exchange risk. At year end, the effect on profit and equity as a result of a 5% (2008: 5%) change in the United States Dollar, with all other variables remaining constant would be +/- \$nil (2008: \$24,052).

This exposure arises from the payment of creditors in United States Dollars. Net exposure is USD \$ nil (2008: USD \$403,295). The company's exposure is minimal.

The above interest rate and foreign exchange rate sensitivity analysis were performed on the assumption that all other variables remain unchanged.

### NOTE 22: SHARE BASED PAYMENTS

1,661,500 shares were issued during the year as share based payments for services acquired and exploration costs incurred (refer Note 14). The weighted average value of these shares, determined by reference to market price was \$0.25.

An amount of \$415,375 (2008: \$nil) has been included in capitalised exploration expenditure.

### NOTE 23: COMPANY DETAILS

The registered office and principal place of business of the company is:

Lake Resources NL  
5 Maud Street  
NEWSTEAD QLD 4006

### NOTE 24: EVENTS AFTER THE BALANCE SHEET DATE

The Pakistan tenements of the company, which expired on 19 March 2009, have been subsequently replaced with new exploration licences granted for a further three years, commencing on 10 September 2009.

The financial report was authorised for issue on 30 September 2009.

### NOTE 25: ECONOMIC DEPENDENCY

The company is dependent on the Government of Pakistan continuing to allow exploration on tenements which have been granted to the company.

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## Notes to the Financial Statements for the year ended 30 June 2009

### NOTE 26: SEGMENT REPORTING

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists. Segment assets include all assets used by a segment and consist principally of cash, receivables, inventories, intangibles and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, and accrued expenses. Segment assets and liabilities do not include deferred income taxes.

#### Intersegment Transfers

Segment revenues, expenses and results may include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the company at an arm's length.

#### Business and Geographical Segments

##### Business segments

The company has only one business segment - mineral exploration

##### Geographical segments

The company's business segments are located in Australia with mineral exploration operations in Argentina and Pakistan.

#### Primary Reporting: Geographical Segments

	Australia		Argentina		Pakistan		Economic Entity	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
<b>REVENUE</b>								
Interest	17,641	94,947	-	-	-	-	17,641	94,947
Total revenue from ordinary activities	17,641	94,947	-	-	-	-	17,641	94,947
<b>RESULT</b>								
Profit/(Loss) from ordinary activities before income tax expense	(262,551)	(68,791)	(4,037)	(16,866)	-	-	(266,588)	(85,657)
Income tax expense	-	-	-	-	-	-	-	-
Profit/(Loss) from ordinary activities after income tax expense	(262,551)	(68,791)	(4,037)	(16,866)	-	-	(266,588)	(85,657)
<b>ASSETS</b>								
Segment assets	461,590	1,125,634	-	-	4,947,591	3,769,847	5,409,181	4,895,481
<b>LIABILITIES</b>								
Segment liabilities	29,121	447,356	-	-	-	-	29,121	447,356
<b>OTHER</b>								
(Acquisition)/Disposal of non current Segment assets	-	-	-	16,866	(1,198,776)	(1,205,408)	(1,198,776)	(1,188,542)
Depreciation and amortisation of segment assets	7,502	6,590	-	10,282	33,115	8,367	40,617	25,239
Other non-cash segment expenses	-	-	-	-	-	-	-	-

There were no transfers between segments reflected in the revenues, expenses or result above.

#### Secondary Reporting: Business Segments

Business Segments	Segment Revenues from External Customers		Carrying Amount of Segment Assets		Acquisition of non-current segment assets	
	2009 \$	2008 \$	2009 \$	2008 \$	2009 \$	2008 \$
Mineral Exploration	17,641	94,947	5,409,181	4,895,481	(1,198,776)	(1,188,542)

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**Additional Information for Listed Public Companies**

The shareholder information set out below was applicable as at 24 August 2009.

**1. Twenty Largest Shareholders**

The names of the twenty largest holders of each class of listed securities are listed below:

**Ordinary Shares**

Name	No. of Ordinary Investors Shares Held	Percentage of Issued Shares	
1 KEMKAY PTY LTD	3,841,920	10.9%	
2 BUSHFLY AIR CHARTER PTY LTD	2,490,020	7.1%	
3 TRENLIN PTY LIMITED	1,692,222	4.8%	
4 QLD ENERGY PTY LTD (QEM SUPERANNUATION FUND)	1,268,508	3.6%	
5 JG CLAVARINO SUPER FUND PTY LTD	1,149,400	3.3%	
6 LAWNBET PTY LTD	1,061,827	3.0%	
7 JAN MUHAMMED	1,000,000	2.8%	
8 ALEXANDRA MARIE CLAVARINO	750,000	2.1%	
9 RONSON INVESTMENTS PTY LTD	690,000	2.0%	
10 BENSONS OF BRISBANE PTY LTD	510,000	1.5%	
11 MOHAMMED ASHFAQ	500,000	1.4%	
12 ASSET CUSTODIAN NOMINEES (AUST) PTY LTD	450,000	1.3%	
13 BATEL PTY LTD	412,500	1.2%	
14 PERPETUAL TRUSTEE COMPANY LIMITED	408,000	1.2%	
15 LAKE GOLD PTY LTD	400,000	1.1%	
16 INVIA CUSTODIAN PTY LIMITED	346,705	1.0%	
17 BRETTON PTY LTD	339,500	1.0%	
18 OCTOLAKE PTY LIMITED	326,000	0.9%	
19 JAMES CLEMENT WHITING	325,657	0.9%	
20 BEDEL & SOWA PTY LTD	300,000	0.9%	
<b>TOTAL FOR TOP 20 SHAREHOLDERS:</b>	<b>18,262,259</b>	<b>20</b>	<b>51.9%</b>
<b>TOTAL OTHER INVESTORS SHAREHOLDINGS</b>	<b>16,899,254</b>	<b>616</b>	<b>48.1%</b>
<b>TOTAL ORDINARY SHARES ON ISSUE</b>	<b>35,161,513</b>	<b>636</b>	<b>100.0%</b>

**2. Distribution of equity securities**

(a) Analysis of security by size of holding -number of security holders

Ranges	Investors	Securities	% Issued Capital
1 to 1000	8	3,576	0.01%
1001 to 5000	87	272,118	0.77%
5001 to 10000	166	1,437,390	4.09%
10001 to 100000	295	9,227,874	26.24%
100001 and Over	52	24,220,555	68.88%
<b>Total</b>	<b>608</b>	<b>35,161,513</b>	<b>100.00%</b>

(b) The number of security investors holding less than a marketable parcel of 5,556 (\$0.09 on 17.7.2009) securities is 98 and they hold 291,736 securities.

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Additional Information for Listed Public Companies

3. Substantial Shareholders

The following details of substantial shareholders listed in the company's register at 24 August 2009 are:

Shareholder	Number of Shares
Kemkay Pty Ltd	3,841,920
Bushfly Air Charter Pty Ltd	2,490,020

4. Voting Rights

Each ordinary shareholder is entitled to one vote when a poll is called, otherwise each member present at a meeting has one vote on a show of hands.

5. The name of the Company Secretary is Mr. Peter Gilchrist.

6. The address of the principal registered office in Australia is 5 Maud Street, Newstead Qld 4006.

7. Register of securities are held at the following address:

Link Market Services Ltd

Level 19

324 Queen Street

BRISBANE QLD 400

Telephone No. (07) 3320-2232

or

Locked Bag A14

SYDNEY SOUTH NSW 1235

Telephone No. 1300 554 474

(02) 820 7454

8. Stock Exchange Listing

Quotation has been granted for all of the ordinary shares of the company on all Members Exchanges of the Australian Stock Exchange Limited

9. Restricted Securities

There are no restricted securities.

10 Schedule of Tenements as at 30 June 2009

The Pakistan tenements of the company, which expired on 19 March 2009, have been subsequently replaced with new exploration licences granted for a further three years, commencing on 10 September 2009. The new licence details are outlined below:

Table 1: Balochistan Tenements

Tenement	Amalaf	Dasht-i-Gauran	Koh-i-Sultan
EL Number	(71)/5468-78	(72)/5492-5503	(73)/5479-91
Area (sq km)	94.42	58.76	171.4
Lake Interest	(see Note 1)	(see Note 1)	(see Note 1)
Grant Date	10/09/09	10/09/09	10/09/09
Expiry Date	09/09/12	09/09/12	09/09/12

**Note 1.** Clause 12 of the Licence documents provides that the grantee "...will also sign an agreement with the Government of Balochistan within a period of two months regarding participation/entry of the Government of Balochistan in the said licence/project with 12.5% share on 100% discount i.e. without any investment or 25% share with investment in accordance with the Latest Policy of the Government". Negotiations will be undertaken with Government of Balochistan to meet the provisions of this clause.