

# **LAKE RESOURCES N.L.**

ABN 49 079 471 980

**FINANCIAL REPORT  
FOR THE YEAR ENDED**

**30 JUNE 2011**

**LAKE RESOURCES N.L.**  
ABN 49 079 471 980

**CORPORATE GOVERNANCE STATEMENT**

This statement outlines the corporate governance practices of Lake Resources N.L. (the “Company”) and its board of directors (the “Board”) during the financial year ended 30<sup>th</sup> June 2011. All of the best practice recommendations of the ASX Corporate Governance Council have been applied for the entire year, unless otherwise stated. It should be noted that the small size of the Company and the specialized nature of the mineral exploration industry has necessitated modification in the application of some of the recommendations, while still trying to keep faith with the underlying principles of the recommendations.

**Management Oversight**

The Board is responsible for the overall corporate governance of the Company including the strategic direction, selection of executive directors, establishing goals for management and monitoring the achievement of those goals and approval of budgets.

Because of the small size of the Company, informal ongoing assessment has been applied by the Board to evaluate performance of senior executives.

The Board reviews the role and responsibilities of the Board and senior executives on an informal ongoing basis. A formalized statement of matters covering the role and responsibilities of the Board and senior executives has not been documented because of the small size of the Company and the Board. A formalized statement will be established if and when justified by a change in the size and nature of the Company’s activities.

**Structure of the Board**

The Board currently has three directors, one independent non -executive director and two executive directors.

- Ross Johnston is the independent director and chairman of the Company. He is not a substantial shareholder of the Company and satisfies the tests related to independence of directors. He has over thirty years experience as an accountant in public practice having founded one of the largest independently owned accountancy practices in Queensland. He has long experience in commercial and financial issues affecting the Company including reporting, taxation matters and project evaluation. He has been a director of numerous companies over many decades.
- The managing director, Peter Gilchrist, is a qualified and highly experienced engineer with over thirty years experience in the minerals exploration, mining and construction industries. He has long experience in commercial matters including company administration and project evaluation. He has been a director of numerous companies over many decades.

- The exploration director, Jim Clavarino has over 30 years experience as a minerals geologist in Australia and many parts of the world. He has over 10 years experience exploring in Pakistan and is an experienced company director.

The three directors are dedicated to building long term value in the Company for shareholders. They have been directors since the Company was founded in 1997. The small size of the Company and the specialist nature of the exploration industry have generally lead shareholders to place importance on increasing shareholder value by having a Board with strong industry experience. The high risk nature of exploration funding has also led to shareholders preferring directors to be directly or indirectly involved in the provision of capital.

The Board composition does not have a majority of non-executive directors. The addition of another two non-executive directors to achieve this is not considered practical by the Board because of the small size of the Company.

Directors have the right to take independent professional advice at Company expense once they have notified the Board of this intention.

The Company does not have a nomination committee because of the small Board size. The Board undertakes informal ongoing assessment of the skills required to direct the Company. If there are any deficiencies identified, the Board will seek out a candidate to address the deficiency.

The Board conducts ongoing informal evaluation of its performance and the performance of its members on a continuing basis, and has done so during the reporting period. Because of the small size of the Company and the Board, it has not been considered necessary to seek outside assistance in performance evaluation.

### **Ethical and Responsible Decision Making**

The Board acknowledges and emphasizes the importance of all directors, employees, contractors and agents maintaining the highest standards of corporate governance and ethical conduct. Directors are obliged to be independent in judgment and ensure that all reasonable steps are taken to ensure due care is taken by the Board in making sound decisions. The Company has established a reputation for the highest standard of ethical conduct - for example, it has never made facilitation payments to government officials in overseas countries.

The Company has long had a code of conduct which has been strictly adhered to, requiring directors, employees, contractors and agents of the Company to:

- act honestly and in good faith,
- exercise due care and diligence in fulfilling the functions of office,
- avoid conflicts and make full disclosure of any possible conflicts of interest,
- comply with the law,
- encourage the reporting and investigation of unlawful and unethical behavior, and
- comply with the securities trading policy set out in following pages.

## **Financial Reporting Integrity**

The Board is small and acts as a whole as the audit committee. The small size of the Company with the three directors as the only persons handling Company operations including signing all contracts and disbursements, means there is close and direct contact in all aspects of implementing and monitoring all financial systems and reporting.

## **Disclosure**

As an exploration company, there is regular reporting to shareholders through the ASX Periodic Disclosure requirements, which call for quarterly operational and cash flow reporting. This reporting is additional to more conventional reporting by all companies of half yearly and annual financial results. All of the Company's annual reports and quarterly reports are made available on the comprehensive Company website and distributed in hard copy by mail.

The Board is very aware of its Continuous Disclosure obligations which require immediate reporting of material events, particularly in relation to exploration progress. For example, announcements have been made to the ASX when core logs have been completed for holes drilled in Pakistan.

## **Shareholder Rights**

Shareholders are entitled to vote on significant matters impacting on the business, which include the election and remuneration of directors, changes to the constitution and receipt of annual and interim financial statements. Shareholders are strongly encouraged to attend and participate in the Annual General Meetings of the Company, to lodge questions to be responded to by the Board, and are able to appoint proxies.

The Directors are personally acquainted with many of the shareholders in the Company and encourage them to visit the Company's office to view the exploration data and discuss the progress of the exploration programme with the exploration director.

## **Risk Management**

The Board sets the framework for the Company's long term success, approving its annual budget, assessing business risks and providing overall risk management policy guidance. The Board monitors all aspects of the business from the operational level through to strategic level risks, including safety and environmental performance, on a continuing basis and has systems in place to review Company controls and to ensure compliance with laws and ethical behavior.

The small size of the Company does not warrant a separate risk management committee. The managing director and the exploration director report regularly to the independent chairman on the effectiveness of the Company's management of its material business risk. The greatest risk, of course, is the low probability of success for minerals exploration.

The managing director has advised the Board that he believes the Company's management of its material business risks is effective. The managing director has advised the Board that the declaration in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

## **Remuneration**

The Company is small and has no full-time employees. Contract services are purchased at market rates. Where possible, contract employees are remunerated using a combination of cash and Company shares. The remuneration of all directors is detailed in the Remuneration Report section of the Directors' Report. Any increase in Director's fees is approved by shareholders at the Annual General Meeting.

## **SECURITIES TRADING POLICY**

Directors, officers, employees and contractors who wish to trade in Company securities must first have regard to the statutory provisions of the Corporations Act dealing with insider trading.

Insider trading is the practice of dealing in a company's securities (which includes shares and options) by a person in possession of unpublished price-sensitive information not generally available. It may also include the passing on of this information to another or procuring another person to deal in the securities. Legally, insider trading is an offence which carries severe penalties, including imprisonment.

This policy is not limited to insider trading of the Company's securities, but also includes trading in the securities of other companies, suppliers or entities with which the Company may be negotiating significant transactions. Information that is not material to the Company may nevertheless be material to one of those other companies.

In this policy, references to directors, officers, employees and contractors includes all Connected Persons including a spouse or partner, child or step-child under the age of 18 years, an unlisted body corporate which the director, officer, employee or contractor controls, a trust of which the director, officer, employee or contractor is a trustee and which he or she or any of the persons referred to above is a beneficiary or any other person over whom the director, officer, employee or contractor has significant influence or control. Further, all references to officers includes a reference to 'key management personnel' as defined in AASB Standard 124 Related Party Disclosure, being those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly, including any director (whether executive or otherwise) of the entity.

## **Insider Trading Prohibition**

Directors, officers, employees and contractors of the Company must not, whether in their own capacity or as an agent for another, subscribe for, purchase or sell, or enter into an agreement to subscribe for, purchase or sell any securities in the Company, or procure another person to do so:

1. if that director, officer, employee or contractor possess information that a reasonable person would expect to have a material effect on the price or value of the securities or influence a person's decision to buy or sell the securities in the Company if the information was generally available;
2. if the director, officer, employee or contractor knows or ought reasonably to know that:
  - (i) the information is not generally available; and
  - (ii) if it were generally available, it might have a material effect on the price or value of the securities or influence a person's decision to buy or sell the securities in the Company.

Further, directors, officers, employees and contractors must not either directly or indirectly pass on this kind of information to another person if they know, or ought reasonably to know, that this other person is likely to deal in the securities of the Company or procure another person to do so.

Examples of information which, if made available to the market, may depending on the circumstances be likely to have a material impact on the price of the Company's securities are set out in Appendix 1.

## **Closed Periods**

In addition to the prohibitions on insider trading set out in the Corporations Act, the Company requires that directors, officers, employees and contractors must not trade in the Company's securities in the following periods:

1. seven days preceding and following director and shareholder meetings.
2. fourteen days preceding and following the release of the Company's Quarterly Reports
3. fourteen days preceding and following the release of the Company's half yearly and annual reports,

**(Closed Periods)** unless the circumstances are exceptional and the procedure for prior written clearance described below has been met.

In addition to the prohibitions on insider trading set out in the Corporations Act, the Company requires that directors, officers, employees and contractors must not trade in the Company's securities within any period determined by the Company from time to

time, because the Company is considering matters that would require disclosure to the market but for listing rule 3.1A ('Additional Period'), unless the circumstances are exceptional and the procedure for prior written clearance described below has been met. This prohibition is in addition to the Closed Periods. The Closed Periods and the Additional Period are together referred to as a 'Prohibited Period' in this policy.

### **Exceptional Circumstances When Trading May Be Permitted Subject to Prior Written Clearance**

A person may trade in the Company's securities inside a Prohibited Period, subject to obtaining prior written clearance in accordance with the procedure described below, in the following exceptional circumstances:

1. if the person granting the prior written clearance is satisfied that the person seeking the clearance does not possess unpublished price-sensitive information about the Company and the person seeking clearance is facing severe financial hardship.
2. if the person granting the prior written clearance is satisfied that the person seeking the clearance does not possess unpublished price-sensitive information about the Company and there are other circumstances deemed to be exceptional by the person granting the prior written clearance.
3. Where trading is required for compliance with a court order or court-enforceable undertakings or for some other legal or regulatory requirement.

### **Procedure for Obtaining Prior Written Clearance for Trading in the Company's Securities**

Directors, officers, employees and contractors must not trade in the Company's securities during a Prohibited Period, including in the exceptional circumstances referred to above, unless the director, officer, employee or contractor obtains prior written clearance from:

1. in the case of employees or contractors, the Managing Director or in his absence, the Company Secretary;
2. in the case of a director or officer, the Chairman or in his absence, the Managing Director;
3. in the case of the Managing Director, the Chairman or in his absence, any of the directors;
4. in the case of the Chairman, the Managing Director or in his absence, any of the directors;

(each an 'Approving Officer').

A request for prior written clearance under his policy should be delivered to the Approving Officer in writing, setting out the details of the securities to be traded and the reasons for the request. Requests may be delivered by hand, mail, email or facsimile.

Any written clearance granted under this policy will be valid for a period of seven days which it is granted or such other period as may be determined by the Approving Officer. The expiry date and time of the clearance will be stated in the clearance granted. Clearances may be delivered by hand, mail, email or facsimile.

### **Trading Which is Not Subject to this Policy**

The following trading by directors, officers, employees and contractors is excluded from this policy:

1. transfers of securities already held into a superannuation fund or other saving scheme in which the director, officer, employee or contractor is a beneficiary;
2. an investment in, or trading in units of, a fund or other schemes (other than a scheme only investing in the Company's securities) where the assets of the fund or other scheme are invested at the discretion of a third party;
3. where the director, officer, employee or contractor is a trustee, trading in the Company's securities by that trust provided that the director, officer, employee or contractor is not a beneficiary of the trust and any decision to trade during the Prohibited Period is taken by the other trustees or by the investment managers independent of the director, officer, employee or contractor;
4. undertakings to accept, or the acceptance of, a takeover offer;
5. trading under an offer or invitation made to all or most of the security holders such as, a rights issue, a security purchase plan, a dividend, or distribution reinvestment plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the Board. This includes decisions relating to whether or not to take up the entitlements and sale of entitlements required to provide for the take up of the balance of entitlements under a reasonable pro rata issue;
6. a disposal of securities that is the result of a secured lender exercising their rights, for example under a margin lending arrangement;
7. the exercise (but not the sale of securities following an exercise) of an option or right under an employee incentive scheme, or the conversion of a convertible security, where the final date for the exercise of the option or right, or the conversion of the security, falls during a Prohibited Period and the Company has been in an exceptionally long Prohibited Period or the Company has had a number of consecutive Prohibited Periods and the director, officer, employee or contractor could not reasonably have been expected to exercise it at a time when free to do so.
8. Trading under a non-discretionary trading plan for which prior written clearance has been provided in accordance with procedures set out in this trading policy and where:
  - (i) the restricted person did not enter into the plan or amend the plan during a Prohibited Period;

- (ii) the trading plan does not permit the restricted person to exercise any influence or discretion over how, when, or whether to trade; and
- (iii) the Company's trading policy does not allow the restricted person to cancel the trading plan or cancel or otherwise vary the terms of his or her participation in the trading plan during a Prohibited Period other than in exceptional circumstances.

### **Trading in Derivative Products**

The prohibitions on trading in the Company's securities imposed by the Company and set out in this policy extend to trading in financial products issued or created over or in respect of the Company's securities.

### **Notification**

Directors must disclose details of changes in securities of the Company they hold (directly or indirectly) to the Company Secretary as soon as reasonably possible after the date of the contract to buy or sell securities ('Contract Date') but in any event:

1. no later than three business days after the Contract Date; or
2. if they begin to have or cease to have a substantial shareholding or there is a change in their substantial holding, the business day after the Contract Date.

The Company Secretary is to maintain a register of notifications and clearances given in relation to trading in the Company's securities. The Company Secretary must report all notifications of dealings in the Company's securities to the next Board meeting of the Company.

Directors are reminded that it is their obligation under section 205G of the Corporations Act to notify the market operator within fourteen days after any change in a director's interest.

### **Breaches**

Breach of the insider trading prohibition could expose directors, officers, employees and contractors to criminal and civil liability. Breach of insider trading law or this policy will be regarded by the Company as serious misconduct which may lead to disciplinary action and/or dismissal.

This policy does not contain an exhaustive analysis of the legal ramifications of insider trading. Directors, officers, employees and contractors who wish to obtain further advice in this matter are encouraged to contact the Company Secretary.

This policy also relates to the Company's related entities.

## **ASX Listing Rule Requirements**

Listing Rule 12.9 requires that each listed entity to have a Trading Policy that complies with minimum content requirements set out in listing rule 12.12. Pursuant to this rule, a copy of this Trading Policy has been provided to ASX for release to the market. The Trading Policy will also be published on the Company's website.

Listing Rule 12.10 requires that any amendments to an entity's Trading Policy that would constitute a material change would require that the amended policy be provided to ASX for release to the market. Material changes include:

1. changes to the fixed periods specified in the Trading Policy when the entity's key management personnel are prohibited from trading in the entity's securities;
2. changes with respect to the trading that is excluded from the operation of the entity's Trading Policy; and
3. changes with respect to the exceptional circumstances in which the entity's key management personnel may be permitted to trade during a Prohibited Period.

### **Securities Trading Policy - Appendix 1**

Examples of information which, if made available to the market, may be likely to have a material effect on the price of the Company's securities include, but are not limited to:

- exploration results;
- entry into or termination of a material contract such as a joint venture;
- a material acquisition or sale of assets by the Company;
- an actual or proposed takeover or merger;
- an actual or proposed change to the Company's capital structure such as a share issue;
- the financial performance of the Company; and
- a material claim against the Company or other unexpected liability, for example the threat of material litigation against the Company.

# LAKE RESOURCES N.L.

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DIRECTORS' REPORT

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Your directors present their report together with the financial statements of the company for the year ended 30 June 2011.

## 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	4	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 and Review of Operations

The operating loss after applicable income tax was \$273,131 (2010: loss \$117,978). Exploration expenditure totalled \$183,454 (2010: \$182,572).

The Company completed placements of shares to sophisticated investors in December 2010 and again in March 2011. The company raised \$454,556 in December 2010 and \$1,303,519 in March 2011.

During the year the company also continued to concentrate on further geological evaluation of its tenements in Pakistan.

## Dividends

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

## Significant Changes in State of Affairs

The following significant changes in the state of affairs of the Company have occurred during the financial year:

- On 14 December 2010, the company issued a total of 9,091,125 shares at \$0.05 each pursuant to a non-renounceable rights issue.
- On 7 March 2011, the company issued a total of 26,070,388 shares at \$0.05 each as a placement to sophisticated investors.

There were no other significant changes in the state of affairs of the Company during the year.

## Financial Position

The company has \$1.36m in cash assets, which will be adequate to meet the current phase of the exploration strategy in Pakistan.

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DIRECTORS' REPORT

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## 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 \$7,250 (2010: \$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

No 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.

## Future Developments, Prospects and Business Strategies

The directors will continue to carry out an active exploration and evaluation program on its tenements as detailed in the Company's various public announcements. The level of activity will be determined by the continued availability of funding.

## 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.

## 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.

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DIRECTORS' REPORT

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## Information on Directors (Cont'd)

NAME	QUALIFICATIONS	APPOINTED
Ross Johnston	B.Com, FCA	8/08/1997
Peter J. Gilchrist	B.Eng(Civil), M.Eng Sc, MBA.	8/08/1997
James G. Clavarino	FRMIT (Geology) MAIMM, MMICA.	8/08/1997

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.

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:-

	1/07/2010 Ord Shares	Change	Balance 30-6-11 Ord Shares
Ross Johnston	-	-	-
Peter J. Gilchrist	-	-	-
James G. Clavarino	-	1,549,400	1,549,400

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 2,092,222 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 3,290,020 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

The directors do not presently maintain any other directorships on other ASX listed companies.

# LAKE RESOURCES N.L.

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DIRECTORS' REPORT

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## **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

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

## **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 2011, the company's balance sheet shows total assets of \$6,749,913, total liabilities of \$9,900, and net assets of \$6,740,013. Current assets total \$1,405,849 and include cash assets of \$1,357,672. Current liabilities total \$9,900. Budgeted expenditure to finalise the current exploration phase to September 2012 totals \$1.277 million.

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 fully utilised by December 2012, drawing down on all the existing finance facilities. The next phase of exploration activities will necessitate the sourcing of additional working capital to undertake future planned activities.

Depending on the results of the current phase of exploration activity in Pakistan, the Directors will then determine whether the company will continue with its second phase of exploration activity in Pakistan. Funding through a non-renounceable rights issue to existing shareholders will be required to proceed with phase 2 of Pakistan exploration.

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

## **Remuneration Report (Audited)**

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

# LAKE RESOURCES N.L.

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DIRECTORS' REPORT

## 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 contractors 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.

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.

	2008	2009	2010	2011
	\$	\$	\$	\$
Revenue	94,947	17,641	4,759	7,730
Net Loss	85,657	266,588	117,978	273,131
Net Assets	4,448,125	5,380,060	5,262,082	6,740,013
Capitalised Exploration Expenditure	3,769,847	4,947,571	5,116,053	5,299,507
Share Price at Year-end	0.325	0.09	0.06	0.04
Dividends Paid	nil	nil	nil	nil

## D. Key Management Personnel Remuneration for Year Ended 30 June 2011

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:

2011 Key Management Personnel	Short-term Benefits		Post-employment Benefits	Total	Performance Related
	Cash, salary & commissions	Contract Service Fees	Superannuation Contribution		
	\$	\$	\$	\$	%
Ross Johnston (Non-Executive Director)	-	-	-	-	-
Jim Clavarino (Executive Director)	-	18,000 #	-	18,000	-
Peter Gilchrist (Executive Director)	-	27,000 *	-	27,000	-
	-	45,000	-	45,000	-

# LAKE RESOURCES N.L.

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DIRECTORS' REPORT

## Remuneration Report (Cont'd)

2010	Key Management Personnel	Short-term Benefits		Post-employment	Total	Performance Related
		Cash, salary & commissions	Contract Service Fees	Superannuation Contribution		
		\$	\$	\$	\$	%
	Non-Executive Director	-	-	-	-	-
Ross Johnston	Executive Director	-	17,673 #	-	17,673	-
Jim Clavarino	Executive Director	-	5,000 *	-	5,000	-
Peter Gilchrist	Director	-	22,673	-	22,673	-

### 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.

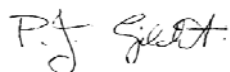
### D. Employment contracts of directors and specified executives

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.

### Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2011 has been received and is attached to the directors' report.



P.J. Gilchrist  
Director

Brisbane, Queensland  
30 September 2011



**Hayes Knight**

Accountants, Advisors & Auditors

Hayes Knight Audit (Qld) Pty Ltd  
ABN 49 115 261 722  
Registered Audit Company 299289

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**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 2011 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: 30 September 2011



**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 statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards (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. Those 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 of the financial report that gives a true and fair view 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.

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

***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 director's 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 2011 and of its performance for the year ended on that date; and
  - ii. complying with Australian Accounting Standards 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 statements 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 company had current assets totalling \$1,405,849 at balance date and has planned exploration expenditure to September 2012 of \$1,276,826. On the basis of completing planned activities, further funds will need to be raised. However no commitment has yet been made as to the source of any additional funding. The Directors have formed the view that it is appropriate to prepare the financial report on a going concern basis.

The outcome of these initiatives taken by Directors cannot be presently determined with any certainty. The company's ability to continue as a going concern will be dependent on obtaining future finance.

### *Report on the Remuneration Report*

We have audited the remuneration report included in the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with s 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.

### *Auditors Opinion*

In our opinion the remuneration report of Lake Resources NL for the year ended 30 June 2011 complies with s300A of the Corporations Act 2001.



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



**AM Robertson**  
Director

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

Date: 30 September 2011

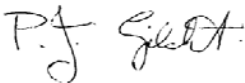
**LAKE RESOURCES N.L.**  
**ABN 49 079 471 980**  
**DIRECTORS' DECLARATION**

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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, which as stated in accounting policy Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards (IFRS); and
  - (b) give a true and fair view of the financial position as at 30 June 2011 and performance for the year ended on that date of the company;
  
- 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.



P.J. Gilchrist  
Director

30 September 2011

# LAKE RESOURCES NL

ABN 49 079 471 980

## STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2011

	Note	2011 \$	2010 \$
Revenue	2	7,730	4,759
Classification of Expenses by Function:			
Write-off of deferred exploration costs		-	(14,100)
Administrative expenses		(60,074)	(19,103)
Corporate expenses		(202,787)	(84,534)
Occupancy expenses		(18,000)	(5,000)
<b>Loss before income tax expense</b>	3	(273,131)	(117,978)
Income tax expense	4	-	-
<b>Loss for the year</b>		(273,131)	(117,978)
<b>Other comprehensive income:</b>			
Other comprehensive income for the period net of tax		-	-
<b>Total comprehensive income for the period</b>		(273,131)	(117,978)
Profit attributable to:			
Members of the parent entity		(273,131)	(117,978)
Total comprehensive income attributable to:			
Members of the parent entity		(273,131)	(117,978)
Basic earnings per share (cents per share)	7	(0.006)	(0.003)
Diluted earnings per share (cents per share)	7	(0.006)	(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

**STATEMENT OF FINANCIAL POSITION**

as at 30 June 2011

	Note	2011 \$	2010 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	8	1,357,672	79,146
Trade and other receivables	9	47,107	5,789
Other current assets	10	1,080	1,303
<b>Total Current Assets</b>		<b>1,405,859</b>	<b>86,238</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	44,547	73,738
Exploration and evaluation expenditure	12	5,299,507	5,116,053
Financial assets	16	-	10
<b>Total Non-Current Assets</b>		<b>5,344,054</b>	<b>5,189,801</b>
<b>TOTAL ASSETS</b>		<b>6,749,913</b>	<b>5,276,039</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	13	9,900	13,957
<b>Total Current Liabilities</b>		<b>9,900</b>	<b>13,957</b>
<b>NON-CURRENT LIABILITIES</b>			
<b>Total Non-current Liabilities</b>		<b>-</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>9,900</b>	<b>13,957</b>
<b>NET ASSETS</b>		<b>6,740,013</b>	<b>5,262,082</b>
<b>EQUITY</b>			
Issued capital	14	8,690,935	6,939,873
Reserves	15	1,051,609	1,051,609
Accumulated losses		(3,002,531)	(2,729,400)
<b>TOTAL EQUITY</b>		<b>6,740,013</b>	<b>5,262,082</b>

The accompanying notes form part of these financial statements.

**LAKE RESOURCES NL**

ABN 49 079 471 980

**STATEMENT OF CHANGES IN EQUITY**

**For The Year Ended 30 June 2011**

	Note	Issued Capital	Capital Profits Reserve	Asset Revaluation Reserve	Retained Earnings	Total
		\$	\$	\$	\$	\$
<b>Balance 1 July 2009</b>		6,939,873	4,997	1,046,612	(2,611,422)	5,380,060
Loss for the year		-	-	-	(117,978)	(117,978)
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		6,939,873	4,997	1,046,612	(2,729,400)	5,262,082
Dividends paid or provided for		-	-	-	-	-
<b>Balance 30 June 2010</b>	<b>14</b>	6,939,873	4,997	1,046,612	(2,729,400)	5,262,082
<b>Balance 1 July 2010</b>		6,939,873	4,997	1,046,612	(2,729,400)	5,262,082
Loss for the year		-	-	-	(273,131)	(273,131)
Other comprehensive income for the year		-	-	-	-	-
Total comprehensive income for the year		6,939,873	4,997	1,046,612	(3,002,531)	4,988,951
Shares issued during the period		1,758,075	-	-	-	1,758,075
Transaction Costs		(7,013)	-	-	-	(7,013)
Subtotal		1,751,062	-	-	-	1,751,062
Dividends paid or provided for		-	-	-	-	-
<b>Balance 30 June 2011</b>	<b>14</b>	8,690,935	4,997	1,046,612	(3,002,531)	6,740,013

The accompanying notes form part of these financial statements.

**LAKE RESOURCES NL**

ABN 49 079 471 980

**STATEMENT OF CASH FLOWS**

for the year ended 30 June 2011

	Note	2011 \$	2010 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Payments to suppliers		(295,149)	(73,179)
Finance costs		(1,673)	-
Interest received		7,730	4,759
<b>Net cash provided by/ (used in) operating activities</b>	<b>17</b>	<b>(289,092)</b>	<b>(68,420)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Disposal of subsidiary, net of cash	<b>16</b>	10	-
Payments for deferred expenditure		(183,454)	(182,572)
<b>Net cash provided by/ (used in) investing activities</b>		<b>(183,444)</b>	<b>(182,572)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from share issue	<b>14</b>	1,758,075	-
Proceeds from borrowings	<b>18</b>	42,417	-
Re-payment of borrowings	<b>18</b>	(42,417)	-
Share issue costs	<b>14</b>	(7,013)	-
<b>Net cash provided by/ (used in) financing activities</b>		<b>1,751,062</b>	<b>-</b>
<b>Net increase/(decrease) in cash held</b>		<b>1,278,526</b>	<b>(250,992)</b>
<b>Cash at beginning of year</b>		<b>79,146</b>	<b>330,138</b>
<b>Cash at end of year</b>	<b>8</b>	<b>1,357,672</b>	<b>79,146</b>

The accompanying notes form part of these financial statements.

# LAKE RESOURCES NL

ABN 49 079 471 980

## Notes to the Financial Statements For the year ended 30 June 2011

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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 assets 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 2011, the company's balance sheet shows total assets of \$6,749,913, total liabilities of \$9,900, and net assets of \$6,740,013. Current assets total \$1,405,849 and include cash assets of \$1,357,672. Current liabilities total \$9,900. Budgeted expenditure to finalise the current exploration phase to September 2012 totals \$1.277 million.

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 fully utilised by December 2012, 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 have formed the view that it is appropriate to prepare the financial report on a going concern basis.

# LAKE RESOURCES NL

ABN 49 079 471 980

## Notes to the Financial Statements For the year ended 30 June 2011

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

#### 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.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

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.

# LAKE RESOURCES NL

ABN 49 079 471 980

## Notes to the Financial Statements For the year ended 30 June 2011

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

#### 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.

##### 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	20-25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting 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 statement of comprehensive income. When revalued 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

ABN 49 079 471 980

## Notes to the Financial Statements For the year ended 30 June 2011

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

#### 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.

##### 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. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in the profit or loss.

##### 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 subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

##### Financial liabilities

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

##### Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

##### 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 statement of comprehensive income.

#### 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 statement of comprehensive income.

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.

# LAKE RESOURCES NL

ABN 49 079 471 980

## Notes to the Financial Statements For the year ended 30 June 2011

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

#### 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 statement of comprehensive income, 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 statement of comprehensive income.

#### 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.

##### Make Good Provisions

Where the company is required under an operating lease to return the asset to the lessor in its original condition, and the operating lease payments do not include an element for these repairs or overhauls, a provision for refurbishment costs is recognised over the period of the lease, measured at the expected cost of refurbishment at each reporting date.

Any provision for make good costs is recognised as an asset with a corresponding liability. The asset is amortised over the period of the lease.

#### 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, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

#### i. Revenue and other income

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. Any consideration deferred is treated as the provision of finance and is discounted at a rate of interest that is generally accepted in the market for similar transactions. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

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

Dividend revenue is recognised when the right to receive a dividend has been established.

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 statement of financial position are shown inclusive of GST.

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

# LAKE RESOURCES NL

ABN 49 079 471 980

## Notes to the Financial Statements For the year ended 30 June 2011

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

#### 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 cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

#### 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.

#### o. Earnings per Share (EPS)

Basic earnings per share is calculated by dividing the loss attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus elements in ordinary shares issued during the year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### p. 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 2011.

##### *Key Judgments — 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.

# LAKE RESOURCES NL

ABN 49 079 471 980

## Notes to the Financial Statements For the year ended 30 June 2011

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

#### p. Critical Accounting Estimates and Judgments (cont)

##### *Key Judgments — Exploration and Development Expenditure (cont)*

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.

In 2011, no carried forward exploration costs were written-off (2010: \$14,100).

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

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the company has decided not to early adopt. A discussion of those future requirements and their impact on the company is as follows:

- AASB 9: Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2013).

This Standard is applicable retrospectively and includes revised requirements for the classification and measurement of financial instruments, as well as recognition and derecognition requirements for financial instruments. The company has not yet determined any potential impact on the financial statements.

The key changes made to accounting requirements include:

- simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- simplifying the requirements for embedded derivatives;
- removing the tainting rules associated with held-to-maturity assets;
- removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;

-allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument;

-requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on: (a) the objective of the entity's business model for managing the financial assets; and (b) the characteristics of the contractual cash flows; and

-requiring an entity that chooses to measure a financial liability at fair value to present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income, except when that would create an accounting mismatch. If such a mismatch would be created or enlarged, the entity is required to present all changes in fair value (including the effects of changes in the credit risk of the liability) in profit or loss.

AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. The Standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The amendments are not expected to impact the company.

AASB 2009-14: Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

This Standard is not expected to impact the company.

# LAKE RESOURCES NL

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## Notes to the Financial Statements For the year ended 30 June 2011

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

#### q. New Accounting Standards for Application in Future Periods (cont)

AASB 2010-4: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13] (applicable for annual reporting periods commencing on or after 1 January 2011).

This Standard details numerous non-urgent but necessary changes to Accounting Standards arising from the IASB's annual improvements project. Key changes include:

- clarifying the application of AASB 108 prior to an entity's first Australian-Accounting-Standards financial statements;
- adding an explicit statement to AASB 7 that qualitative disclosures should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments;
- amending AASB 101 to the effect that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income is required to be presented, but is permitted to be presented in the statement of changes in equity or in the notes;
- adding a number of examples to the list of events or transactions that require disclosure under AASB 134; and
- making sundry editorial amendments to various Standards and Interpretations.

This Standard is not expected to impact the company.

AASB 2010-5: Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042] (applicable for annual reporting periods beginning on or after 1 January 2011).

This Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB. However, these editorial amendments have no major impact on the requirements of the respective amended pronouncements.

AASB 2010-6: Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7] (applicable for annual reporting periods beginning on or after 1 July 2011).

This Standard adds and amends disclosure requirements about transfers of financial assets, especially those in respect of the nature of the financial assets involved and the risks associated with them. Accordingly, this Standard makes amendments to AASB 1: First-time Adoption of Australian Accounting Standards and AASB 7: Financial Instruments: Disclosures, establishing additional disclosure requirements in relation to transfers of financial assets.

This Standard is not expected to impact the company.

AASB 2010-7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] (applies to periods beginning on or after 1 January 2013).

This Standard makes amendments to a range of Australian Accounting Standards and Interpretations as a consequence of the issuance of AASB 9: Financial Instruments in December 2010. Accordingly, these amendments will only apply when the entity adopts AASB 9.

As noted above, the company has not yet determined any potential impact on the financial statements from adopting AASB 9.

AASB 2010-8: Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets [AASB 112] (applies to periods beginning on or after 1 January 2012).

This Standard makes amendments to AASB 112: Income Taxes.

The amendments brought in by this Standard introduce a more practical approach for measuring deferred tax liabilities and deferred tax assets when investment property is measured using the fair value model under AASB 140: Investment Property.

Under the current AASB 112, the measurement of deferred tax liabilities and deferred tax assets depends on whether an entity expects to recover an asset by using it or by selling it. The amendments introduce a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

The amendments brought in by this Standard also incorporate Interpretation 121 into AASB 112.

The amendments are not expected to impact the company.

# LAKE RESOURCES NL

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## Notes to the Financial Statements for the year ended 30 June 2011

	2011	2010
	\$	\$
<b>NOTE 2: REVENUE</b>		
<b>Revenue</b>		
Interest revenue from other persons	7,730	4,759
<hr/>		
<b>NOTE 3: PROFIT/(LOSS) FOR THE YEAR</b>		
<b>(a) Expenses</b>		
Exploration & evaluation expenditure written-off (b)	-	14,100
Depreciation	29,191	32,866
Interest - 202 Limited	1,673	-
<b>(b) Significant Revenue and Expenses</b>		
Write-off of capitalised exploration expenditure	-	14,100
<b>NOTE 4: INCOME TAX EXPENSE/(BENEFIT)</b>		
<b>(a) The components of tax expense comprise:</b>		
Current tax	-	-
Deferred tax	-	-
	<hr/>	<hr/>
	-	-
(b) Prima facie tax payable/(benefit) on profit/(loss) from ordinary activities before tax income tax at 30% (2010: 30%).	(81,939)	(35,394)
<b>Add tax effect of:</b>		
Write-off of exploration expenditure	-	4,230
Future income tax benefit of tax losses not brought to account	136,975	85,935
<b>Less tax effect of:</b>		
Temporary differences between income tax and accounting treatment of exploration and other expenditure	(55,036)	(54,771)
<hr/>		
Income tax expense	-	-
<hr/>		
The weighted average effective tax rate is	0%	0%

# LAKE RESOURCES NL

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## Notes to the Financial Statements for the year ended 30 June 2011

	<b>2011</b>	<b>2010</b>
	\$	\$

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

The company has unrecouped, unconfirmed carry forward tax losses of approximately \$6.5 million (2010: \$6.2million).

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 COMPENSATION

- (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*	45,000	22,673
Post-employment benefits	-	-
	45,000	22,673

\* Includes fees paid for contract services provided

- (c) Shareholdings

Number of shares held directly by Key Management Personnel

Key Management Personnel	Balance 1/7/10	Received as compensation	Purchases/(sales)	Balance 30/6/11
	No.	No.	No.	No.
Peter Gilchrist	-	-	-	-
James Clavarino	-	-	1,549,400 #	1,549,400
Ross Johnston	-	-	-	-

# This represents a transfer from a related entity of J. Clavarino back to J. Clavarino.

# LAKE RESOURCES NL

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## Notes to the Financial Statements for the year ended 30 June 2011

2011	2010
\$	\$

### NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

(c) Shareholdings (cont'd)

Messrs Gilchrist and Johnston have an interest in 3,841,920 (2010: 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 2,092,222 (2010: 1,692,222) shares in the company.

Mr Gilchrist is a Director of Queensland Energy Pty Ltd a company which holds 1,268,508 (2010: 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 3,290,020 (2010: 2,490,020) shares in the company.

Mr Clavarino is a director and shareholder of Lake Gold Pty Ltd, a company which holds 400,000 (2010: 400,000) shares in the company.

### NOTE 6: AUDITORS' REMUNERATION

Remuneration of the auditor of the company for:

- auditing or reviewing the financial report	16,900	15,700
- other services	-	-
	<u>16,900</u>	<u>15,700</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>(273,131)</u>	<u>(117,978)</u>
(b) Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	48,125,028	35,161,503
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS	<u>48,125,028</u>	<u>35,161,503</u>

(c) Classification of Securities

Only ordinary shares existed during the 2011 year.

# LAKE RESOURCES NL

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## Notes to the Financial Statements for the year ended 30 June 2011

	2011	2010
	\$	\$
<b>NOTE 8: CASH AND CASH EQUIVALENTS</b>		
Cash at bank and in hand	107,672	10,148
Short term bank deposit	1,250,000	68,998
	<u>1,357,672</u>	<u>79,146</u>
<p>The effective interest rates on short term bank deposits was 6.00% (2010: 3.63%); 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>1,357,672</u>	<u>79,146</u>
<b>NOTE 9: TRADE AND OTHER RECEIVABLES</b>		
<b>Current:</b>		
Other receivables	<u>47,107</u>	<u>5,789</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>1,080</u>	<u>1,303</u>
<b>NOTE 11: PROPERTY, PLANT AND EQUIPMENT</b>		
<b>Plant and equipment</b>		
At cost	57,578	57,578
Accumulated depreciation	(53,278)	(46,538)
Total Plant and Equipment	<u>4,300</u>	<u>11,040</u>
<b>Vehicles</b>		
At cost	112,254	112,254
Accumulated depreciation	(72,007)	(49,556)
Total Vehicles	<u>40,247</u>	<u>62,698</u>
Total Property, Plant and Equipment	<u>44,547</u>	<u>73,738</u>

# LAKE RESOURCES NL

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## Notes to the Financial Statements for the year ended 30 June 2011

**2011**                      **2010**  
\$                                      \$

**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:

	<b>2010</b>		
	Vehicles	Plant & Equip.	Total
	\$	\$	\$
Balance at 1 July 2009	88,862	17,742	106,604
Additions	-	-	-
Disposals	-	-	-
Depreciation expense	(26,164)	(6,702)	(32,866)
Carrying amount at 30 June 2010	62,698	11,040	73,738

	<b>2011</b>		
	Vehicles	Plant & Equip.	Total
	\$	\$	\$
Balance at 1 July 2010	62,698	11,040	73,738
Additions	-	-	-
Disposals	-	-	-
Depreciation expense	(22,451)	(6,740)	(29,191)
Carrying amount at 30 June 2011	40,247	4,300	44,547

**NOTE 12: EXPLORATION AND EVALUATION EXPENDITURE**

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

- at cost	5,299,507	5,116,053
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Movement during the year in exploration and evaluation expenditure:

**At cost:**

Carrying amount at beginning of year	5,116,053	4,947,581
Capitalised exploration and evaluation expenditure	183,454	182,572
Write down of discontinued exploration tenements	-	(14,100)
Carrying amount at the end of year	5,299,507	5,116,053

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration of minerals. Capitalised costs amounting to \$183,454 (2010: \$182,572) have been included in cash flows from investing activities in the cash flow statement.

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## Notes to the Financial Statements for the year ended 30 June 2011

	2011	2010
	\$	\$
<b>NOTE 13: TRADE AND OTHER PAYABLES</b>		
<b>Current:</b>		
Unsecured creditors:		
Sundry creditors and accrued expenses	9,900	13,957
<b>NOTE 14: ISSUED CAPITAL</b>		
70,323,026 (2010: 35,161,513) fully paid ordinary shares	8,690,935	6,939,873
<b>(a) Fully paid ordinary shares</b>		
Balance at the beginning of the reporting period	6,939,873	6,939,873
Shares issued during the year	1,758,075	-
Share issue costs	(7,013)	-
Balance at reporting date	8,690,935	6,939,873
	<b>No.</b>	
Balance at the beginning of the reporting period	35,161,513	35,161,513
Shares issued during the year:		
- 14 December 2010	9,091,125	-
- 7 March 2011	26,070,388	-
Balance at reporting date	70,323,026	35,161,513

On 14 December 2010, the company issued a total of 9,091,125 shares at \$0.05 each, as a placement to sophisticated investors.

On 7 March 2011, the company issued a total of 26,070,388 shares at \$0.05 each as a placement to sophisticated investors.

Transaction costs totalling \$7,013 were incurred in relation to these share issues and applied against the proceeds received.

Effective 1 July 1998, the Corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the Company does not have authorised capital or par value in respect of its issued shares.

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.

**(b) Options**

There are no options over shares

**(c) 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 2011**

	<b>2011</b>	<b>2010</b>
	\$	\$
<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		
	1,051,609	1,051,609

**NOTE 16: CONTROLLED ENTITY**

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

This company was incorporated to allow Lake Resources NL to open a bank account to support exploration activities in Argentina. It did not operate. During the 2011 financial year the company disposed of Lake Resources SA.

**NOTE 17: CASH FLOW INFORMATION**

<b>(a) Reconciliation of Cash Flow from Operations with Profit/(loss) after Income Tax:</b>		
Profit/(loss) after income tax	(273,131)	(117,978)
Non-cash flows in profit:		
Depreciation & amortisation	29,191	32,866
Write-down of capitalised exploration & evaluation expenditure	-	14,100
Changes in operating assets and liabilities:		
Decrease/(Increase) in receivables	(38,861)	17,725
Decrease/(Increase) in prepayments	223	31
(Decrease)/Increase in trade creditors and accruals	(6,514)	(15,164)
Cash flows from operations	(289,092)	(68,420)

# LAKE RESOURCES NL

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## Notes to the Financial Statements for the year ended 30 June 2011

2011	2010
\$	\$

### 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 C) 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.

18,000	17,673
--------	--------

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.

27,000	5,000
--------	-------

The company entered into a loan agreement during the year with 202 Limited, a company related to Messers Gilchrist and Johnston in order to fund working capital. The loan has been repaid during the year and has been reflected in cash flows from financing activities, interest attributable to the loan was \$1,673.

1,673	-
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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	12,442,070	11,242,070
Options over ordinary shares	nil	nil

# LAKE RESOURCES NL

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## Notes to the Financial Statements for the year ended 30 June 2011

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### NOTE 19: CAPITAL AND LEASING COMMITMENTS

#### Exploration Commitments

Under the terms of the Company's new licences for its exploration tenements it has to meet annual rent and undertake exploration the 3 years from 10 September 2009. The commitments are as follows:

	Rent	Exploration	Total
	\$	\$	\$
- Not later than 1 year	22,000	628,000	650,000
- Later than 1 year but not later than 5 years	5,500	157,000	162,500
Total commitment	<u>27,500</u>	<u>785,000</u>	<u>812,500</u>

### NOTE 20: CONTINGENT LIABILITIES

Under the terms of exploration licences granted on 10 September 2009, the company must elect to grant the Balochistan Government a 25% investment in the licences. The Government has advised that a draft agreement is being finalised.

There were no other material contingent liabilities at the end of the reporting period.

# LAKE RESOURCES NL

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## Notes to the Financial Statements for the year ended 30 June 2011

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### NOTE 21: FINANCIAL RISK MANAGEMENT

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

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	2011 \$	2010 \$
<b>Financial Assets:</b>			
Cash and cash equivalents	8	1,357,672	79,146
Trade and other receivables	9	47,107	5,789
<b>Total Financial Assets</b>		<u>1,404,779</u>	<u>84,935</u>
<b>Financial Liabilities:</b>			
Financial liabilities at amortised cost:			
Trade and sundry creditors	13	9,900	13,957
<b>Total Financial Liabilities</b>		<u>9,900</u>	<u>13,957</u>

### Financial Risk Management Policies

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.

### Specific Financial Risk Exposures and Management

#### *a. Credit risk*

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

#### *b. Liquidity risk*

The company manages liquidity risk by monitoring forecast cash flows.

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## Notes to the Financial Statements for the year ended 30 June 2011

### NOTE 21: FINANCIAL RISK MANAGEMENT (CONT)

#### Financial asset and financial liability maturity analysis

	Within 1 Year		1 to 5 years		Total	
	2011	2010	2011	2010	2011	2010
	\$	\$	\$	\$	\$	\$
<b>Financial liabilities due for payment</b>						
Trade and other payables	9,900	13,957	-	-	9,900	13,957
Total expected outflows	9,900	13,957	-	-	9,900	13,957
<b>Financial assets - cash flows realisable</b>						
Cash and cash equivalents	1,357,672	79,146	-	-	1,357,672	79,146
Trade and other receivables	47,107	5,789	-	-	47,107	5,789
Total anticipated inflows	1,404,779	84,935	-	-	1,404,779	84,935
Net (outflow)/inflow on financial instruments	1,394,879	70,978	-	-	1,394,879	70,978

#### *c. Market 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.

##### *Price risk*

The company is not exposed to any commodity price risk.

##### *Sensitivity Analysis*

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.

#### **Interest Rate Sensitivity Analysis**

At 30 June 2011, the effect on profit as a result of a 2% change in the interest rate, with all other variables remaining constant would be +/- \$7,442 (2010: \$3,005)

#### **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% (2010: 10%) change in the Pakistan Rupee, with all other variables remaining constant would be +/- \$3,699 (2010: +/- \$307).

This exposure arises from the Pakistan Rupee bank accounts. Net exposure is PKR 3,381,380 (2010: PKR 229,000), and is not considered material.

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

# LAKE RESOURCES NL

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## Notes to the Financial Statements for the year ended 30 June 2011

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### **NOTE 21: FINANCIAL RISK MANAGEMENT (CONT)**

#### **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. No discount rates have been used to determine fair value as the company has no non-current borrowings.

### **NOTE 22: COMPANY DETAILS**

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

Lake Resources NL  
5 Maud Street  
NEWSTEAD QLD 4006

### **NOTE 23: EVENTS AFTER THE REPORTING DATE**

The financial report was authorised for issue on September 2011.

### **NOTE 24: ECONOMIC DEPENDENCY**

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

# LAKE RESOURCES NL

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## Notes to the Financial Statements for the year ended 30 June 2011

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### NOTE 25: OPERATING SEGMENTS

#### (a) Segment Information

The company operates entirely in the mineral exploration industry with all tenements in Pakistan and corporate operations in Australia. Accordingly, the information provided to the Board of Directors is prepared using the same measures used in preparing the statement of comprehensive income and statement of financial position.

#### (b) Revenue by geographical region

Revenue attributable to external customers is disclosed below, based on the location of the external customer:

	2011	2010
	\$	\$
Australia	7,730	4,759
Pakistan	-	-
Total revenue	<u>7,730</u>	<u>4,759</u>

#### (c) Assets by geographical region

The location of segment assets is disclosed below by geographical location of the assets:

Australia	1,450,406	159,986
Pakistan	5,299,507	5,116,053
Total assets	<u>6,749,913</u>	<u>5,276,039</u>

#### (d) Major customers

All revenue relates to interest earned on term deposits. The company has received no revenue from external customers.

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**ABN 49 079 471 980**

**Additional Information for Listed Public Companies**

The shareholder information set out below was applicable as at 15 August 2011.

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 Shares Held	Investors	Percentage of Issued Shares
1 HSBC CUSTODY NOMINEES (AUST) LTD	14,002,000		19.91%
2 KHATTAR CAPITAL INTERN PTE LTD	5,000,000		7.11%
3 KEMKAY PTY LTD	3,841,920		5.46%
4 BUSHFLY AIR CHARTER PTY LTD	3,290,020		4.68%
5 LAWNBET PTY LTD	2,400,000		3.41%
6 INVIA CUSTODIAN PTY LIMITED	2,346,705		3.34%
7 TRENLIN PTY LIMITED	2,092,222		2.98%
8 ROBERT TAN KAH BOH	2,000,000		2.84%
9 CHNG SENG CHYE	2,000,000		2.84%
10 JG CLAVARINO	1,549,400		2.20%
11 CORPORATE PROPERTY SERVICES PTY LTD	1,359,840		1.93%
12 QLD ENERGY PTY LTD	1,268,508		1.80%
13 BENSONS OF BRISBANE PTY LTD	1,020,000		1.45%
14 JAN MUHAMMED	1,000,000		1.42%
15 LILIANA TEOFILOVA	1,000,000		1.42%
16 CALAMA HOLDINGS PTY LTD	835,608		1.19%
17 PAUL RAYMOND FROST	800,000		1.14%
18 ALEXANDRA MARIE CLAVARINO	750,000		1.07%
19 ASSET CUSTODIAN NOMINEES (AUST) PTY LTD	675,000		0.96%
20 PARCENT HOLDINGS PTY LTD	672,388		0.96%
<b>TOTAL FOR TOP 20 SHAREHOLDERS:</b>	<b>47,903,611</b>	<b>20</b>	<b>68.12%</b>
<b>TOTAL OTHER INVESTORS SHAREHOLDINGS</b>	<b>22,419,415</b>	<b>552</b>	<b>31.88%</b>
<b>TOTAL ORDINARY SHARES ON ISSUE</b>	<b>70,323,026</b>	<b>572</b>	<b>100.00%</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	3,327	0.01%
1001 to 5000	79	247,594	0.35%
5001 to 10000	150	1,318,105	1.87%
10001 to 100000	270	8,297,311	11.80%
100001 and Over	65	60,456,689	85.97%
Total	572	70,323,026	100.00%

(b) The number of security investors holding less than a marketable parcel of 14,286 (\$0.035 on 28.6.2011) securities is 298, and they hold 2,310,846 securities.

**LAKE RESOURCES NL**

**ABN 49 079 471 980**

**Additional Information for Listed Public Companies**

3. Substantial Shareholders

The following details of substantial shareholders listed in the company's register at 15 August 2011 are:

Shareholder	Number of Shares
HSBC Custody Nominees	14,002,000
Khattar Capital Internment	5,000,000
Kemkay Pty Ltd	3,841,920

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 12  
300 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 2011

Balochistan Tenements

Tenement	Amalaf	Dasht-i-Gauran	Koh-i-Sultan
<b>EL Number</b>	(71)/5468-78	(72)/5492-5503	(73)/5479-91
<b>Area (sq km)</b>	94.42	58.76	171.4
<b>Lake Interest</b>	(see Note 1)	(see Note 1)	(see Note 1)
<b>Grant Date</b>	10/09/2009	10/09/2009	10/09/2009
<b>Expiry Date</b>	9/09/2012	9/09/2012	9/09/2012

**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 continue with Government of Balochistan to meet the provisions of this clause.