

9 October 2023

Your reference: 81044

Mr Alan Zhao
ASX Limited
20 Bridge Street
Sydney NSW 2000

By email: ListingsComplianceSydney@asx.com.au

Dear Mr Zhao

Lake Resources NL ('LKE'): Query Letter

Lake Resources N.L. (ASX: LKE) (the **Company** or **LKE**) refers to your query letter dated 29 September 2023 (the **Query Letter**) and provides the following responses.

Unless otherwise defined, capitalised terms in this letter have the same meaning given to those terms in the Query Letter.

1. Please define what LKE considered to be 'successful' completion of the test program, and explain the basis for LKE's view that the test was 'successful'.

On 3 March 2022, LKE announced that a Lilac Solutions, Inc. (**Lilac**) demonstration plant had been assembled and dispatched to the Kachi Project to produce lithium chloride eluate using Lilac's proprietary ion exchange process. The lithium chloride eluate would be converted into lithium carbonate for battery qualifications, and these results would eventually inform the final engineering design.

The test program was a design testing exercise to assess the efficacy of that lithium chemical manufacturing process. It was intended to produce data at scale to verify the process and support the Company's ongoing due diligence regarding the technology and the project design.

The Company announced on 15 March 2023 that validation of the Company's flowsheet was required for the completion of the Definitive Feasibility Study (**DFS**).

As identified in the ASX announcement dated 3 March 2022, the lithium carbonate converted from the produced lithium chloride eluate would be provided to potential offtakers, and indeed performance of the demonstration plant is a condition precedent to the Conditional Framework Agreements between the Company and its prospective offtakers, WMC Energy and SK On Co., Ltd (please see ASX announcements on 6 October and 12 October 2022). Furthermore, solution samples from the demonstration plant would also be preserved to provide more robust materials for future vendor qualifications.

Accordingly, 'successful' completion of the test program depended on:

- (a) Saltworks Technologies (**Saltworks**) delivering a completed report that independently verified the Company's flowsheet to support completion of the Phase 1 DFS and project design; and
- (b) production of sufficient material samples, at scale, to allow review by the Company's prospective offtakers.

The Company announced on 3 April 2023 that Saltworks' testing of the lithium carbonate converted from the 40,000 litres of lithium chloride eluate produced by Lilac achieved grades and purity greater than 99.8%. LKE confirmed these results exceeded the Project Design Specifications and the battery grade specifications of major South American brine lithium producers. In this announcement, LKE mentioned

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that Lilac was nearing completion of processing 120,000 litres of eluate for conversion into battery grade lithium carbonate.

The Announcement informed the market of the conclusion of Saltworks' testing of that 120,000 litres of lithium chloride eluate, which was successfully converted into lithium carbonate. The Company considered the completion of the test program 'successful' because Saltworks' report provided data validation for its flowsheet, in particular the ability to convert lithium chloride eluate to battery grade lithium at scale, and that Lilac's demonstration plant was able to produce sufficient lithium carbonate product to be made available to the Company's prospective offtakers.

Following the 'successful' completion of the testing program – being the processing 120,000 litres of eluate for conversion into battery grade lithium carbonate - the Company confirms this verified process design will form the basis for future modelling and inform the completion of the Phase 1 DFS, expected in December 2023.

2. **Does LKE consider the contents of the Announcement to be information that a reasonable person would expect to have a material effect on the price or value of its securities?**

Yes.

3. **If the answer to question 2 is “no”:**

3.1 **Please advise the basis for that view.**

3.2 **Please explain why LKE lodged the Announcement as market-sensitive on MAP.**

N/A

4. **If the answer to question 2 is “yes” please explain the basis for that view, commenting specifically on how LKE considered the contents of the Announcement to be sufficiently definite to require disclosure under Listing Rule 3.1 in the absence of any JORC compliant test results.**

The Company considers the contents of the Announcement to be sufficiently definite to require disclosure. LKE is a pre-revenue, early-development resources company, and with this context, a reasonable investor in LKE would expect the completion of the test program and Saltworks' independent verification of the lithium chemical manufacturing process to be market sensitive.

For example:

- (a) **Completion of the test program verified the Company's flowsheet, which is material to project design and the production of battery grade lithium carbonate.**

The Company considers successful completion of the testing program as market sensitive as it de-risks the Kachi Project, including by independently verifying LKE's flowsheet. A reasonable investor in LKE, which is a pre-revenue, early-development resource company, would expect that information confirming the Company's designed lithium chemical manufacturing process has the ability to produce battery grade lithium carbonate at scale (which directly impacts the Kachi Project's commercialisation) to be market sensitive and should be released. As discussed in Question 1, validation of the process is critical to core elements of the Kachi Project, including completion of the Phase 1 DFS, project design, data collection for due diligence, creation of samples for potential offtakers, and other commercial negotiations.

- (b) **Completion of the test program forms part of regular progress updates on the Kachi demonstration plant, which is material to the Company's timely achievement of major milestones.**

The Company has promised its investors that it will provide, and continues to provide, regular updates on the progress, timelines, milestones and outcomes of the Kachi Project, including

demonstration test work at the Kachi demonstration plant (see ASX announcement on 19 September 2022). Completion of the Phase 1 DFS is a significant milestone underpinning the commercial viability of the Kachi Project. The Company understands that meeting commitments to investors is a key factor in valuation and market pricing, and this will be of particular concern to LKE investors given the Company has previously announced delayed target dates for DFS completion.

Completion of the test program is a prerequisite for completion of the Phase 1 DFS (see ASX announcement on 15 March 2023), as it collects performance data to support the design process and provides samples to support commercial negotiations. Announcement of its completion is therefore market sensitive, as it allows LKE's investors to appraise the status of the Company's activities and to gauge whether the Company is on track to meet its commitments, including the targeted completion of the Phase 1 DFS, expected in December 2023.

(c) The test program performance affects the Company's commercial relationships with its prospective offtakers.

As discussed in our response to Question 1 above, the Company's Conditional Framework Agreements (**CFAs**) with two prospective offtakers are subject to conditions precedent, including in connection with the successful performance of the demonstration plant. A reasonable investor in LKE would therefore be interested in the Company's progress towards satisfying these conditions precedent, as the CFAs becoming unconditional is a key milestone to further de-risking the Kachi Project and achieving commercialisation. The Company considers updates on testing at the demonstration plant and the provision of samples for quality validation to prospective offtakers as important steps towards fulfilling this condition precedent and strengthening LKE's relationships with prospective offtakers – this, therefore, is market sensitive.

5. Noting that LKE submitted the Presentation as price-sensitive to MAP, please identify the new information contained in the Presentation which required disclosure under Listing Rule 3.1.

As noted above, the Presentation is a monthly update to LKE's investors to keep them informed on the Company's progress towards completion of its key milestones, including importantly the Phase 1 DFS. In general, the Company considers most progress updates regarding the Phase 1 DFS as market sensitive to its investors. Notwithstanding this, the Presentation coincided with the Announcement, and confirmed further information in addition to the Announcement, for example:

- (a) in response to specific requests for information from its investors, the quantity of sample material created from the Saltworks test program;
- (b) a schematic diagram demonstrating the functionality of the lithium chemical manufacturing process and technology (notwithstanding this also included previously released refining rates – see Question 8 below); and
- (c) affirmation that LKE is on track for completion of the Phase 1 DFS in December 2023.

6. If there was no new material information in the Presentation, please explain why LKE lodged the announcement as market-sensitive.

N/A

7. If there was new material information in the Presentation:

7.1 Please identify that information.

7.2 When did LKE become aware of that information?

7.3 If LKE was aware of that information at the time it released the Announcement, please explain why it was not included in the Announcement and how this was compliant with Listing Rule 3.1.

Please refer to our response to Question 5 for identification of the new material information.

The Company received the test program report from Saltworks on 22 September 2023. Following prompt and careful review of its contents, LKE considered the test program to be completed (and successful) and market sensitive, and this was then immediately released in the Announcement in accordance with its obligations in Listing Rule 3.1.

LKE believes that no reasonable investor would expect a Company to release market sensitive information, and do nothing with that information following its release. Following release of the Announcement in accordance with Listing Rule 3.1, the Company, in preparation for the Presentation, continued to work with the data and prepare materials, including in response to questions it received, which it subsequently released with the Presentation two days later. That resulted in new information being included in the Presentation, as noted in Question 5, and therefore the Company marked it as market sensitive (again, LKE considers most updates to its Phase 1 DFS delivery to generally be market sensitive, in any case). The Company is aware of its obligations under Listing Rule 3.1 and disclosed the information in the Announcement and the Presentation in accordance with those obligations.

- 8. Has LKE previously announced the lithium recovery figures on slide 6 in accordance with Listing Rule 5.7? If so, please identify that earlier announcement. If not, LKE will need to immediately either provide the additional information required under Listing Rule 5.7 or make an additional retraction.**

Yes. The Company's 19 June 2023 operational update noted that the performance of the Direct Lithium Extraction (DLE) technology achieved >80% lithium recovery, and a rate of >76% was achieved for total plant for DLE recovery only. The Company confirms its 28 September 2023 presentation is in line with this previous data, and relates only to the design performance of the lithium chemical manufacturing component of the Kachi Project. No new exploration data was disclosed in the Announcement or the Presentation.

The Company makes no claims as to the overall lithium recovery modifying factors for the Kachi Project, which can only be made by Competent Person in accordance with the JORC Code. As disclosed in the Announcement, any such data will be announced upon completion of the work associated with the mineral reserve calculation, and the Phase 1 DFS.

- 9. Please confirm that the spoken contents of the webinar were:**
- 9.1 JORC compliant; and**
- 9.2 Compliant with Listing Rule 15.7, in that no material information was shared which has not yet been published on MAP.**

If the webinar was non-compliant with either of the above requirements, please explain how LKE intends to address this.

The Company confirms that the spoken contents of the webinar were JORC compliant and fully compliant with Listing Rule 15.7. The Company confirms no material information was shared which has not yet been published on MAP.

For clarity, the Company answered a question regarding the recovery rate for 200mg/L lithium brine (a generic question) in the webinar. We confirm that Jonathan Nielsen's response clearly and unambiguously relates to the *refining rate*, i.e., what is recoverable from brine through the lithium chemical manufacturing process, and not any recovery rate to do with in-ground conditions or indeed any exploration results. Jonathan Nielsen's response of greater than 80% lithium recovery for the DLE technology for the DFS process design and greater than 78% recovery from overall lithium brine into lithium carbonate materially reflects information disclosed in LKE's 19 June 2023 ASX announcement (see our response to Question 8 above).

- 10. Please confirm that LKE is in compliance with the Listing Rules, and in particular Listing Rule 3.1.**

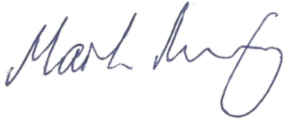
The Company is in compliance with the Listing Rules, including in particular Listing Rule 3.1.

- 11. Please confirm that LKE's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of LKE with**

delegated authority from the board to respond to ASX on disclosure matters

LKE confirms that this response has been authorised and approved by an officer of LKE with delegated authority from the board to respond to ASX on disclosure matters.

Yours sincerely



Mark Anning
Company Secretary
Lake Resources N.L.

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29 September 2023

Reference: 81044

Mr Mark Anning
Company Secretary
Lake Resources N.L.
Level 5, 126 Phillip Street
Sydney NSW 2000

By email: mark.anning@lakeresources.com.au

Dear Mr Anning

Lake Resources NL ('LKE'): Query Letter

ASX refers to the following:

- A. LKE's announcement titled "Successful Completion of Lithium Carbonate Test Program" on the ASX Market Announcements Platform ('MAP') on 26 September 2023 (the '**Announcement**'), which stated (relevantly):
- i. "[LKE] announces the successful completion of the Saltworks Technologies lithium carbonate test program to produce battery grade lithium carbonate from Lilac DLE lithium chloride eluate. Lake delivered 120,000 litres of concentrated lithium chloride eluate to Saltworks Technologies in Richmond, BC for this carbonate production test work."
 - ii. "Mr Dickson said these results, along with the recent successful extraction and injection testing, showed that the DLE process at Kachi was being paired with high-yield, production-scale extraction wells."

ASX notes that LKE indicated this announcement was 'market-sensitive' when it was submitted to MAP.

- B. LKE's announcement titled 'Proven Advances in DLE technology & Webinar Slides' (the '**Presentation**'), released on MAP on 29 September 2023, which provided a link to a webinar to be held by LKE, and a copy of the slides which were presented at the webinar. ASX notes that LKE indicated this announcement was 'market-sensitive' when it was submitted to MAP.
- C. LKE's announcement titled 'Update to September Investor Update Presentation', which retracted statements made on slides 5 and 10 of the Presentation on the basis that the full JORC compliant test results had not been released. ASX notes that slide 6 was not retracted, which stated that the 'Saltworks Demo' achieves >97% Li recovery, while the Kachi plant as a whole achieves 78% total Li recovery.
- D. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- E. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:
- "an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."*

- F. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.
- “3.1A Listing rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*
- 3.1A.1 One or more of the following 5 situations applies:*
- It would be a breach of a law to disclose the information;*
 - The information concerns an incomplete proposal or negotiation;*
 - The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
 - The information is generated for the internal management purposes of the entity; or*
 - The information is a trade secret; and*
- 3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*
- 3.1A.3 A reasonable person would not expect the information to be disclosed.”*
- G. Listing Rule 15.7, which states:
- “An entity must not release information that is for release to the market to any person until it has given the information to ASX and has received an acknowledgement that ASX has released the information to the market.”*

Request for information

Having regard to the above, ASX asks LKE to respond separately to each of the following questions and requests for information:

1. Please define what LKE considered to be ‘successful’ completion of the test program, and explain the basis for LKE’s view that the test was ‘successful’.
2. Does LKE consider the contents of the Announcement to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
3. If the answer to question 2 is “no”:
 - 3.1 Please advise the basis for that view.
 - 3.2 Please explain why LKE lodged the Announcement as market-sensitive on MAP.
4. If the answer to question 2 is “yes” please explain the basis for that view, commenting specifically on how LKE considered the contents of the Announcement to be sufficiently definite to require disclosure under Listing Rule 3.1 in the absence of any JORC compliant test results.
5. Noting that LKE submitted the Presentation as price-sensitive to MAP, please identify the new information contained in the Presentation which required disclosure under Listing Rule 3.1.
6. If there was no new material information in the Presentation, please explain why LKE lodged the announcement as market-sensitive.
7. If there was new material information in the Presentation:
 - 7.1 Please identify that information.

- 7.2 When did LKE become aware of that information?
- 7.3 If LKE was aware of that information at the time it released the Announcement, please explain why it was not included in the Announcement and how this was compliant with Listing Rule 3.1.
8. Has LKE previously announced the lithium recovery figures on slide 6 in accordance with Listing Rule 5.7? If so, please identify that earlier announcement. If not, LKE will need to immediately either provide the additional information required under Listing Rule 5.7 or make an additional retraction.
9. Please confirm that the spoken contents of the webinar were:
 - 9.1 JORC compliant; and
 - 9.2 Compliant with Listing Rule 15.7, in that no material information was shared which has not yet been published on MAP.If the webinar was non-compliant with either of the above requirements, please explain how LKE intends to address this.
10. Please confirm that LKE is complying with the Listing Rules and, in particular, Listing Rule 3.1.
11. Please confirm that LKE's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of LKE with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **10 AM AEST Monday, 9 October 2023**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, LKE's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require LKE to request a trading halt immediately.

Your response should be sent to me by e-mail at ListingsComplianceSydney@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in LKE's securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in LKE's securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to LKE's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that LKE's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

ASX reserves the right to release all or any part of this letter, your reply and any other related correspondence between us to the market under Listing Rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Alan Zhao
Adviser, Listings Compliance

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