

LAKE RESOURCES N.L.

ABN 49 079 471 980

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2005**

LAKE RESOURCES N.L.

ABN 49 079 471 980

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the ANNUAL GENERAL MEETING of Lake Resources NL will be held at the Registered Office of the Company, Level 2, 183 North Quay, Brisbane Old, on Thursday 17 November 2005 at 4 p.m.

BUSINESS

1. To receive, consider and adopt the Financial Report of the company and of the economic entity for the year ended 30 June 2005 and the reports by directors and auditors thereon.

2. To elect directors:

Mr Jim Clavarino retires by rotation in accordance with the provisions of the constitution and, being eligible, offers himself for re-election.

3. To increase total directors' fees:

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

'That total directors' fees in any year be increased from \$15,000 to \$45,000'

(Refer to Explanatory Statement below)

4. General: To transact any business that may be lawfully brought forward.

By Order of the Board

Peter Gilchrist

Secretary

15 September 2005

A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his/her stead. That person need not be a member of the company, but should be a natural person over the age of 18 years. Forms must be lodged at the registered office of the company not less than 48 hours before the timing of the meeting.

EXPLANATORY STATEMENT RE AGENDA ITEM 3

Increase in Directors' Fees

Total directors' fees have remained at \$15,000 per annum for seven years, although being below market rates then. The increase to \$45,000 per annum is considered necessary to bridge part of the gap to market rates for directors of exploration companies.

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main corporate governance practices in place during the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated. The small size of the company and the specialised nature of the exploration industry has meant that some of the recommendations have needed to be modified in their application, while still trying to keep faith with the underlying principles of the recommendations.

Board of Directors

Responsibilities

The Board is responsible for the overall Corporate Governance of the company, including the strategic direction, establishing goals for management and monitoring the achievement of those goals. The responsibilities of the Board are defined in the board charter.

Composition

The Board currently has three directors, comprising one independent non-executive chairman and two executive directors. No director is a substantial shareholder of the company. This Board composition does not have a majority of non-executive directors and does not comply with the ASX Corporate Governance Council recommendations. The addition of another two non-executive directors for a company of this size is not considered practical by the Board. The Chairman is elected by the Board and is an independent director. The composition of the Board is reviewed on an annual basis by the Chairman to ensure that the Board has the appropriate mix of expertise and experience. The size of the company and the specialist nature of the exploration industry have generally led shareholders to place importance on increasing shareholder value by having a Board with strong industry experience. The nature of exploration funding has also led to shareholders preferring directors to be directly involved in the provision of seed capital.

Because of the size of the company, it is regarded generally as more efficient to have the whole Board acting as the various Board committees.

Nomination and Election of Directors

When a vacancy arises, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select a panel of suitable candidates. The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

Independent Advice

The company has well-established procedures enabling any Director or committee of the Board to seek external professional advice as considered necessary, at the company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Risk Management

The Board sets the framework for the Company's long-term success, approving its annual budget, assessing business risks and providing overall policy guidance. The Board monitors 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 behaviour.

Remuneration Policy

The company has no fulltime employees. Contract services are purchased at market rates. Where possible, contract employees are remunerated using combination of cash and company shares. The remuneration of all directors is detailed in Note 5 of the Financial Report.

CORPORATE GOVERNANCE STATEMENT

(continued)

Trading Policy

The company's policy regarding directors and employees trading in its securities is set by the Board. The policy restricts directors and employees from trading in the company's securities for a period of fourteen days either side of announcements and director and shareholder meetings, and from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the securities' prices.

Performance Evaluation

The Board monitors the composition and performance of Board members on an ongoing basis.

Financial Reporting

The small size of the company, with three directors and an accountant as the only persons handling company operations, other than specialist exploration contractors, means that there is close and direct contact in all aspects of implementing and monitoring all financial systems and reporting. The board is small and acts as a whole as the audit committee.

Communications with shareholders

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, and the Continuous Disclosure requirements, which require immediate reporting of material events, particularly in relation to exploration progress. This reporting is additional to more conventional reporting by all companies of half-yearly and annual financial results.

A comprehensive website is maintained. All company announcements are approved by the Board.

During the financial year the company has complied with the ASX Corporate Governance Council Principles of Good Corporate Governance, other than in relation to the matters below:-

Principle Ref	Recommendation Ref	Notification of Departure	Explanation of Departure
2	2.1	The board does not have a majority of independent directors	One of the three directors is independent, but the board believes it is not appropriate to appoint an additional two independent directors to a company of this size.
2	2.4	The board does not have a nomination committee.	The whole board takes this role because of its smaller size
4	4.2/4.3	The board does not have an audit committee.	As above
9	9.2	The board does not have a remuneration committee.	As above

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DIRECTORS' REPORT

Your directors present their report of the company for the year ended 30 June 2005.

Directors

The directors of the company at any time during or since the end of the year are set out below. During the year there were six meetings of the full board of directors. The meetings attended by each director were:-

	Meetings Attended
R Johnston - Chairman (Independent Director)	5
J.C. Clavarino - Exploration Director	5
P.J. Gilchrist - Managing Director	6
K Foots (Independent Director) Resigned 29-8-05	5

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

Company Secretary

The company secretary during the year has been P J Gilchrist.

Activities

The principal activity of the company in the course of the year was mineral exploration. There were no significant changes to the nature of the principle activities of the company during the financial year.

Operating Results

The operating loss after applicable income tax was \$13,080 (2004: profit \$823,323). Refer also to the Chairman's Report.

Dividends

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

Review of Operations

During the year the company's seed capital investments were progressively liquidated to fund future exploration. Geological knowledge on the three prospects in Pakistan was progressed to the point where drilling targets could be accurately defined. Regional exploration in Northern Argentina identified a number of geological targets worthy of further investigation.

Significant Changes in State of Affairs

Apart from matters referred to under Review of Operations, there were no significant changes in the state of affairs.

Future Developments, Prospects and Business Strategies

The company has hired contractors to carry out an initial drilling project on its three tenements in Pakistan prior to the end of 2005.

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DIRECTORS' REPORT

Financial Position

The company has \$2.37m in cash assets and is well placed to carry out its exploration strategies.

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 received \$1,000 during the financial year for non-audit services involving discussions and advice to directors related to new issues facing directors, including IFRS. The directors are satisfied that the non-audit services are compatible with the independence requirements of the Corporations Act.

Directors and Auditors Indemnification

The company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings, or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings;

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 statement of Corporate Governance Practice is included in the Annual Report.

Remuneration Report

The remuneration policy of the company is set out in the Corporate Governance Statement included in The Annual Report. Apart from the Directors' Fees set out below, the only other remuneration arrangements are set out in Notes 5 and 20 to the Financial Statements. Details of remuneration provided to Directors are shown below:-

Directors	Director's Fee
K.J. Foots	\$3,000
J.C. Clavarino	\$3,000

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.

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DIRECTORS' REPORT

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.

NAME	QUALIFICATIONS	APPOINTED	RESIGNED
Ross Johnston	B.Com, FCA	08/08/97	-
Peter J. Gilchrist	B.Eng(Civil), M.Eng Sc, MBA.	08/08/97	-
James G. Clavarino	FRMIT (Geology) MAusIMM, MMICA.	08/08/97	-
Ken J. Fooks	B.Eng (Mining), CPA, F AusIMM, FAICD	08/08/97	29/08/05

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. He has long experience in commercial and financial experience on various boards.

Jim Clavarino (Executive Director) - Has worked as a mineral geologist for over 34 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.

Ken Fooks - Has worked as a mining engineer for over 40 years to CEO level, and on boards of numerous mining companies, in Australia and overseas. Has also been involved at senior level in various mining industry bodies.

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 interests of the Directors in the share or options of the Company and related bodies corporate are:-

Ord Shares	Balance 1-7-04	Change	Balance 30-6-05
Ross Johnston	450,010	-	450,010
Peter J. Gilchrist	395,004	-	395,004
James G. Clavarino	1,218,250	(68,850)	1,149,400
Ken J. Fooks	561,000	-	561,000

Messrs Fooks, Gilchrist and Johnston have an interest in 550,960 ordinary shares held by Kemkay Pty Ltd, a subsidiary of 202 Ltd of which they are Directors and substantial shareholders.

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DIRECTORS' REPORT

Mr Foots also has an interest in 408,000 shares held by KJ & NA Foots as trustee for the Viken Super Fund.

Mr Gilchrist is also a Director of and a substantial shareholder in Trenlin Pty Ltd a company which held 1,061,611 shares in the company.

Mr Ross Johnston is a Director and substantial shareholder of Bushfly Air Charter Pty Ltd, a company which held 795,000 shares in the company.

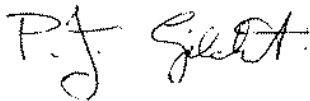
Proceedings on Behalf of the Company

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

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

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30 June 2005 has been received and is attached to the directors' report.



P.J. Gilchrist
Director



R Johnston
Director

Brisbane, Queensland
16 September 2005



**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 2005 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.

ROBERTSONS
Chartered Accountants

A W THOMAS
Partner

Date: 12 September 2005



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DIRECTORS' DECLARATION

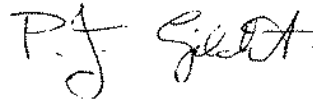
The directors of the company declare that:

- 1 The attached financial statements and notes are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the company's financial position as at 30 June 2005 and performance of the company for the year ended on that date.
- 2 The Chief Executive Officer and Chief Financial Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards;
 - (c) the financial statements and notes for the financial year give a true and fair view.
- 3 In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



R Johnston
Director



PJ Gilchrist
Director

Dated this 16th day of September 2005

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STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$	2004 \$
Revenues from ordinary activities	2	2,505,754	1,067,276
Classification of Expenses by Function:	3		
Write-off of deferred exploration costs		(334,060)	-
Administrative costs		(135,677)	(90,719)
Corporate costs		(72,179)	(55,950)
Occupancy costs		(32,622)	(20,107)
Carrying cost of assets sold		(1,944,296)	-
Writedown of investments		-	(77,177)
Profit/(Loss) from ordinary activities before income tax expense		(13,080)	823,323
Income tax expense relating to ordinary activities	4	-	-
Net profit/(loss)	17	(13,080)	823,323
Net movement in asset revaluation reserve	16	-	-
Total changes in equity other than those resulting from transactions with owners as owners		(13,080)	823,323
Basic earnings per share (cents per share)	7	(0.051)	0.035
Diluted earnings per share (cents per share)	7	(0.051)	0.029

The accompanying notes form part of these financial statements.

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STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2005

	Note	2005 \$	2004 \$
CURRENT ASSETS			
Cash assets	8	2,369,841	491,773
Receivables	9	41,292	17,459
Other	10	18,175	10,568
Total Current Assets		2,429,308	519,800
NON-CURRENT ASSETS			
Other financial assets	11	318,400	2,262,698
Property, plant and equipment	12	57,660	7,809
Exploration and evaluation expenditure	13	2,120,532	2,123,322
Total Non-Current Assets		2,496,592	4,393,829
TOTAL ASSETS		4,925,900	4,913,629
CURRENT LIABILITIES			
Payables	14	40,145	14,794
Total Current Liabilities		40,145	14,794
TOTAL LIABILITIES		40,145	14,794
NET ASSETS		4,885,755	4,898,835
EQUITY			
Contributed equity	15	5,741,350	5,741,350
Reserves	16	1,051,609	1,051,609
Accumulated losses	17	(1,907,204)	(1,894,124)
TOTAL EQUITY		4,885,755	4,898,835

The accompanying notes form part of these financial statements.

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 \$	2004 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers		(562,962)	(313,379)
Interest received		58,265	26,238
Dividends received		23,000	-
Net cash provided by/ (used in) operating activities	19	<u>(481,697)</u>	<u>(287,141)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(64,724)	-
Proceeds on sale of investments		2,424,489	57,909
Purchase of investments		-	(6,309)
Net cash provided by/ (used in) investing activities		<u>2,359,765</u>	<u>51,600</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		-	-
Net cash provided by/ (used in) financing activities		<u>-</u>	<u>-</u>
Net increase/(decrease) in cash held		1,878,068	(235,541)
Cash at beginning of year		491,773	727,314
Cash at end of year	8	<u>2,369,841</u>	<u>491,773</u>

The accompanying notes form part of these financial statements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report.

(a) Exploration and Evaluation Expenditure

Exploration and evaluation 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 correct and the costs are expected to be recouped through the successful development of the area, or sale, or activities in the area have not yet reached a stage which 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.

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:

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 in question. Consequently, no provision for restoration has been deemed necessary.

(b) Income Tax

The company adopts the liability method of tax-effect accounting whereby the income tax expense shown is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or an asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Cash

For the purpose of the statement of cash flows, cash includes:

- (i) cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- (ii) investments in money market instruments with less than 14 days to maturity.

(d) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers. All revenue is stated net of the amount of goods and services tax (GST).

(e) Property Plant and Equipment

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

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 which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated over their useful lives commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge.

Depreciation is calculated on the straight line basis so as to write off the net cost of each depreciable non-current asset over its expected useful life.

The depreciation rates used for each class of depreciable asset are:-

CLASS OF FIXED ASSET	DEPRECIATION RATE
Plant and Equipment	20%

Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Investments (Non-Current)

Non-current investments are measured on the cost basis. The carrying amount of non-current investments is reviewed annually by directors to ensure it is not in excess of the recoverable amount of these investments. The recoverable amount is assessed from the quoted market value for listed investments or the underlying net assets for other non-

The expected net cash flows from investments have not been discounted to their present value in determining the recoverable amounts.

(g) Comparative Figures

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

(h) Foreign Currency Transactions and Balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the date of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

(i) 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**ii. Non-current Investments (continued)**

AASB 1 provides an election whereby the requirements of AASB 139 dealing with financial instruments are not required to be applied to the first AIFRS comparative year, and the first time adoption of this standard will apply from 1 July 2005. The company has decided that it will adopt this election and will not restate comparative information for the 30 June 2005 financial year.

iii. Income Tax

Currently, the company adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112: Income Taxes, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

Reliable estimation of the future financial effects of this change in accounting policy is impracticable at this stage as the company has significant carry forward losses.

iv. Extractive Industries Standard – Exploration and Development Costs

AASB 6 Exploration and Evaluation of Mineral Resources deals with the treatment of expenditure associated with the exploration for and evaluation of mineral resources. AASB 6 requires the accounting policy to be consistent with the “areas of interest” approach prescribed previously by Australian Accounting Standards.

As noted in the accounting policies at Note 1(a), the Company’s current policy on exploration expenditure states that expenditure on exploration and evaluation of individual areas of interest is written off as incurred, except that it may be carried forward in certain circumstances (for example where activities in an area have not yet reached a stage which permits reasonable assessment of the existence of economically recoverable reserves). Therefore the impact of AASB 6 is not expected to be significant.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	\$	\$
NOTE 2: REVENUE FROM ORDINARY ACTIVITIES		
Operating activities:		
Interest received from other persons	58,265	26,999
Dividends - other corporations	23,000	16,184
	<u>81,265</u>	<u>43,183</u>
Other Ordinary Activities:		
Proceeds from sale of non-current assets	2,424,489	1,024,093
Total revenue	<u>2,505,754</u>	<u>1,067,276</u>

NOTE 3: PROFIT/(LOSS) FROM ORDINARY ACTIVITIES

Profit/(Loss) from ordinary activities before income tax has been determined after:

(a) Expenses		
Exploration expenditure	331,271	165,753
Write-down of investments in non-current assets to recoverable amount	-	77,177
Depreciation of non-current assets:		
- plant and equipment	14,873	6,220
Foreign currency translation (gains)/losses	1,087	3,718
(b) Revenue and Net Gains		
Fair value gain on investments	-	1,024,093
Net gain on disposal of non-current assets	480,193	-
(c) Significant Revenue and Expenses		
Write-off of capitalised exploration expenditure	354,885	-
Capitalised exploration expenditure	(352,095)	(165,753)

NOTE 4: INCOME TAX EXPENSE/(BENEFIT)

Prima facie tax payable/(benefit) on profit/(loss) from ordinary activities before tax income tax at 30% (2004: 30%).

	(3,924)	246,997
Add tax effect of:		
Non-assessable items	(6,900)	(4,855)
Non-allowable items	665	-
Write-down to recoverable amount of investment	-	23,153
Write-off of exploration expenditure	106,465	-
Future income tax benefit of tax losses not brought to account	110,464	143,075
Less tax effect of:		
Timing differences between income tax and accounting treatment of exploration and other expenditure	(206,770)	(408,370)
Income tax expense attributable to profit/(loss) from ordinary activities before income tax	<u>-</u>	<u>-</u>

The company has unrecouped, unconfirmed carry forward tax losses of approximately \$2,980,000 (2004: \$2,600,000).

The future income tax benefit of these carry forward losses has not been brought to account as realisation is not virtually certain. The benefit will only be realised if:

- (a) the company derives 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	\$	\$

NOTE 5: REMUNERATION AND RETIREMENT BENEFITS

The names of directors who have held office during the financial year are:

Kenneth J. Foots James G. Clavarino

Peter J. Gilchrist Ross Johnston

(Directors' details are set out in the Directors' Report)

a. Directors' Remuneration

Income paid or payable to all directors of the company by the entity and any related parties - director's fee of \$3,000 paid to two directors.)	6,000	12,000
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b. Retirement and Superannuation Payments

Amounts of a prescribed benefit given during year by the company or a related party to director or a prescribed superannuation fund in a connection with the retirement from a prescribed office:

- -

c. Executive Remuneration

Amounts of a prescribed benefit given during year by the company or a related party to director or a prescribed superannuation fund in a connection with the retirement from a prescribed office:

- -

(Apart from Directors' fees referred to above and matters disclosed under note 20, no other form of remuneration was paid or due to be paid to directors or executives.)

NOTE 6: AUDITORS' REMUNERATION

Remuneration of the auditor of the company for:

- auditing or reviewing the financial report	9,500	5,750
- other services	1,000	-

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.	(13,080)	823,323
(b)	Weighted average number of ordinary shares outstanding during the year used in the calculation of basic EPS	25,608,795	23,567,953
	Weighted average number of options outstanding	-	4,561,444
	Weighted average number of ordinary shares outstanding during the year used in the calculation of dilutive EPS	25,608,795	28,129,397
(c)	Classification of Securities		
	Only ordinary shares existed during the 2005 year.		

LAKE RESOURCES NL

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	\$	\$
NOTE 8: CASH ASSETS		
Cash at bank	65,802	135,568
Cash on term deposit	2,304,039	356,205
	<u>2,369,841</u>	<u>491,773</u>
NOTE 9: RECEIVABLES		
Current:		
Other debtors	41,292	15,553
Foreign currency receivables		
- Current assets not effectively hedged - Swedish Krone	-	1,906
	<u>41,292</u>	<u>17,459</u>
NOTE 10: OTHER ASSETS		
Current:		
Prepayments	18,175	10,568
NOTE 11: OTHER FINANCIAL ASSETS		
Non-Current:		
Listed investments, at recoverable amount		
- Listed investments, at cost	335,200	2,339,875
- Less: Provision for writedown to recoverable amount	(16,800)	(77,177)
	<u>318,400</u>	<u>2,262,698</u>
(a) Market Value of Listed Investments		
Shares in other corporations	378,000	2,567,479
(b) Shares in other corporations have been written down to recoverable amount, being the expected proceeds from the sale of shares.		
NOTE 12: PROPERTY, PLANT AND EQUIPMENT		
Plant and equipment		
At cost	40,260	31,097
Accumulated depreciation	(30,793)	(23,288)
Total Plant and Equipment	<u>9,467</u>	<u>7,809</u>
Vehicles		
At cost	55,561	-
Accumulated depreciation	(7,368)	-
Total Vehicles	<u>48,193</u>	<u>-</u>
Total Property, Plant and Equipment	<u>57,660</u>	<u>7,809</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	\$	\$

NOTE 12: 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:

	Plant and Equipment
Balance at the beginning of year	7,809
Additions	64,724
Disposals	-
Depreciation expense	(14,873)
Carrying amount at the end of year	57,660

NOTE 13: EXPLORATION AND EVALUATION EXPENDITURE

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

- at cost	(a)	620,532	623,322
- at directors' valuation 2004	(b)	1,500,000	1,500,000
		2,120,532	2,123,322

Movement during the year in exploration and evaluation expenditure:

(a) At cost:

Opening balance	623,321	457,568
Capitalised exploration and evaluation expenditure	352,096	165,753
Write down of discontinued exploration tenements	(354,885)	-
Carrying amount at the end of year	620,532	623,321

(b) At directors' valuation 2004 :

Opening balance	1,500,000	1,500,000
Change during year	-	-
Carrying amount at the end of year	1,500,000	1,500,000

(The Directors' 2004 valuation was based on a review of the 2001 valuation, which was supported by the independent valuation by Minnelex Pty Ltd)

NOTE 14: PAYABLES

Current:

Unsecured creditors:

Sundry creditors and accrued expenses	40,145	14,794
	40,145	14,794

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	\$	\$
NOTE 15: CONTRIBUTED EQUITY		
25,608,795 (2004: 25,608,795) fully paid ordinary shares	5,741,350	5,741,350
Fully paid ordinary shares		
Balance at the beginning of the reporting period	5,741,350	4,698,340
Share buyback of 230,250 shares on 22 December 2003	-	(13,815)
Shares issued during the year for acquisition of investments:		
- 3,465,000 on 19 February 2004	-	1,056,825
Balance at reporting date	5,741,350	5,741,350
	No.	No.
Balance at the beginning of the reporting period	25,608,795	22,374,045
Shares issued during the year:		
- 22 December 2003 (buyback)	(a) -	(230,250)
- 19 February 2004	(b) -	3,465,000
Balance at reporting date	25,608,795	25,608,795

(a) On 22 December 2003, the company completed a buyback of 230,250 shares and 117,623 options as part of the sale of a dormant subsidiary.

(b) On 19 February 2004, the company issued 3,465,000 shares at \$0.305 each, as part of the acquisition of 3,465,000 shares in Diamonex Limited.

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.

Options

The remaining options over unissued shares expired at 30 June 2004.

NOTE 16: RESERVES

Capital profits	4,997	4,997
Asset revaluation	1,046,612	1,046,612
	1,051,609	1,051,609

NOTE 17: ACCUMULATED LOSSES

Accumulated loss at the beginning of the financial year	1,894,124	2,717,447
Net (profit)/loss	13,080	(823,323)
Accumulated loss at the end of the financial year	1,907,204	1,894,124

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	\$	\$

NOTE 18: CONTROLLED ENTITY

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

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

NOTE 19: CASH FLOW INFORMATION

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

Profit/(loss) from ordinary activities after income tax	(13,080)	823,323
Non-cash flows in profit from ordinary activities:		
Gain on disposal of investments	(480,193)	-
Fair value gain on investments	-	(1,024,093)
Depreciation	14,873	6,220
Write-down of capitalised exploration & evaluation expenditure	354,886	-
Exploration and evaluation expenditure capitalised	(352,093)	(165,753)
Diminution in value of investment	-	77,177
Changes in operating assets and liabilities:		
Decrease/(Increase) in receivables	(23,833)	11,504
Decrease/(Increase) in prepayments	(7,607)	(6,206)
(Decrease)/Increase in trade creditors and accruals	25,350	(9,313)
Cash flows from operations	(481,697)	(287,141)

NOTE 20: 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 in Note 5.

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

51,781 63,750

The company paid Trenlin Pty Ltd, a company of which Mr P.J. Gilchrist is a director, fees for professional services undertaken on behalf of the company.

33,000 27,000

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	\$	\$
NOTE 20: RELATED PARTY TRANSACTIONS (contd)		
During the previous year the entity rented office space to Diamonex Limited, a company of which Mr P J Gilchrist, a director of the company, was also a director until February 2004.	-	7,000
During the year the entity rented office space to Little Digger Mining Limited, a company of which Mr K J Foots, a former director of the company, is also a director.	12,000	12,000
During the year the entity rented office space to 202 Ltd, a company of which Mr K J Foots and Mr PJ Gilchrist, directors of the company during the year, are also directors.	8,318	9,600

Directors' transactions in shares and options

No options were issued to director related entities during the year (2004: nil), and no options are held by directors or director-related entities.

Directors' holding of shares and options

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

	No.	No.
Ordinary shares	6,140,985	6,209,835
Options over ordinary shares	nil	nil

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

All options held by directors expired on 30 June 2004.

NOTE 21: CAPITAL AND LEASING COMMITMENTS

Operating Lease Commitment

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable		
not later than 1 year	59,704	59,704
later than 1 year but not later than 5 years	94,532	154,236
later than 5 years	-	-

The property lease is a non-cancellable lease with a 6 year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by the greater of CPI or 4% per annum. The lease allows for subletting of all lease areas.

NOTE 22: INTERESTS IN JOINT VENTURES

The company holds no interests in joint ventures.

LAKE RESOURCES NL

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

2005	2004
\$	\$

NOTE 23: CONTINGENT LIABILITIES

Estimate of the maximum amount of contingent liability that may become payable:

Guarantee

The company has provided a guarantee to third parties in relation to obligations under its property lease rental agreement.

34,406	34,406
--------	--------

NOTE 24: FINANCIAL INSTRUMENTS

a. Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

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

b. Net Fair Values

No financial assets or liabilities are readily traded on organised markets in a standardised form. Financial assets where the carrying amount exceeds net fair values have not been written down, as the company intends to hold these assets to maturity.

The aggregate net fair values and carrying amounts of financial assets and liabilities are disclosed in the balance sheet and notes to the financial statements.

c. Interest Rate Risk

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average Effective Interest Rate		Floating Interest Rate		Non-Interest Bearing		Total	
	2005 %	2004 %	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$
Financial Assets:								
Cash	5.40	5.00	2,369,841	491,773	-	-	2,369,841	491,773
Receivables	-	-	-	-	41,292	17,459	41,292	17,459
Total Financial Assets			2,369,841	491,773	41,292	17,459	2,411,133	509,232
Financial Liabilities:								
Trade and sundry creditors	-	-	-	-	40,145	14,794	40,145	14,794
Total Financial Liabilities			-	-	40,145	14,794	40,145	14,794

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 25: SEGMENT REPORTING

The Company operates internationally in the mineral exploration industry. At balance date the company has been granted mineral tenements in Pakistan and Sweden.

Primary Reporting: Geographical Segments

	Australia		Argentina		Sweden		Pakistan		Economic Entity	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE										
Dividends from other corporations	23,000	16,184	-	-	-	-	-	-	23,000	16,184
Interest	58,265	26,999	-	-	-	-	-	-	58,265	26,999
Sale of non-current assets	2,424,489	1,024,093	-	-	-	-	-	-	2,424,489	1,024,093
Total revenue from ordinary activities	2,505,754	1,067,276	-	-	-	-	-	-	2,505,754	1,067,276
RESULT										
Profit/(Loss) from ordinary activities before income tax expense	239,716	823,323	(170,736)	(70,378)	-	-	(11,682)	-	(13,080)	823,323
Income tax expense	-	-	-	-	-	-	-	-	-	-
Profit/(Loss) from ordinary activities after income tax expense	239,716	823,323	(170,736)	(70,378)	-	-	(11,682)	-	(13,080)	823,323
ASSETS										
Segment assets	2,805,368	2,789,634	-	-	-	233,846	2,120,532	1,890,149	4,925,900	4,913,629
LIABILITIES										
Segment liabilities	40,145	14,794	-	-	-	-	-	-	40,145	14,794
OTHER										
(Acquisition)/Disposal of non current assets	-	-	(64,724)	(101,212)	222,034	(64,541)	(154,520)	(64,541)	2,790	(165,753)
Depreciation of segment assets	7,505	4,451	7,368	1,769	-	-	-	-	14,873	6,220
Non-cash items other than depreciation	480,193	(950,931)	-	-	-	-	-	-	480,193	(950,931)

There were no transfers between segments reflected in the revenues, expenses or result above. The pricing of any intersegment transactions is based on market values.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2005

NOTE 25: SEGMENT REPORTING (continued)

Secondary Reporting: Business Segments

Business Segments	Segment Revenues from External Customers		Carrying Amount of Segment Assets		Acquisition of Non- Current Segment Assets	
	2005 \$	2004 \$	2005 \$	2004 \$	2005 \$	2004 \$
Mineral Exploration	2,505,754	1,067,276	4,925,900	4,913,629	2,790	(165,753)

NOTE 26: COMPANY DETAILS

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

Lake Resources NL
Level 2
183 North Quay
Brisbane Qld 4000



INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LAKE RESOURCES NL

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cashflows, accompanying notes to the financial statements, and the directors' declaration for Lake Resources NL (the company), for the financial year ended 30 June 2005.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.



**INDEPENDENT AUDIT REPORT TO THE MEMBERS
OF LAKE RESOURCES NL (continued)**

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by directors or management of the company.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration as attached to the financial report has not changed at the date of providing our audit opinion.

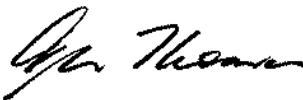
Audit Opinion

In our opinion, the financial report of Lake Resources NL is in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.



ROBERTSONS
Chartered Accountants



A W THOMAS
Partner

Brisbane
Date: 16 September 2005

LAKE RESOURCES N.L.

ABN 49 079 471 980

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The shareholder information set out below was applicable as at 8 August 2005.

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	Percentage of Issued Shares
Billiton Development Far East BV	2,745,669	10.72%
James Clavarino	1,149,400	4.50%
Trenlin Pty Limited	846,111	3.30%
Bushfly Air Charter Pty Ltd	795,000	3.10%
Kenneth John Foots	561,000	2.19%
Alexandra Marie Clavarino	500,000	1.95%
Ross Johnston	450,010	1.76%
Kemkay Pty Ltd	444,960	1.74%
KJ & NA Foots <Viken Super Fund>	408,000	1.59%
Lake Gold Pty Ltd	400,000	1.56%
Peter John Gilchrist	395,004	1.54%
GC & DA Morgan <GCM Super Fund>	365,000	1.43%
Batel Pty Ltd	300,000	1.17%
Bedel & Sowa Corp Pty Ltd	300,000	1.17%
Colvic Pty Ltd	300,000	1.17%
Herb McRae	292,500	1.14%
Norma Agnes Foots	270,000	1.05%
Followsea Pty Ltd	268,750	1.05%
Rodney Lawrence Dawney	253,274	0.99%
Clarence Stevens	250,000	0.98%
Total Top 20	11,294,678	44.10%
Others	14,314,117	55.90%
Total Ordinary Shares on Issue	25,608,795	100.00%

2. Distribution of equity securities

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

Size of Holding	Number of Holders	Number of Shares Held
1 - 1,000	5	2,556
1,001 - 5,000	74	230,127
5,001 - 10,000	198	1,764,174
10,001 - 100,000	291	8,960,054
100,001 and over	44	14,651,884
Total	612	25,608,795

(b) The number of holders of unmarketable parcels is 53.

3. Substantial Shareholders

Substantial shareholders listed in the company's register at 5 August 2005 are:

Shareholder	Number of Shares
Billiton Development Far East B.V.	2,745,669

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

4. Voting Rights

Each ordinary share 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 Level 2, 183 North Quay, Brisbane Qld 4000. Telephone (07) 3220-0282.

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

ASX Perpetual Registrars
GPO Box 2537
Brisbane Qld 4001

8. Stock Exchange Listing

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

9. Restricted Securities

There are no restricted securities.

10. Use of Cash and convertible assets

During the period from admission to the official list of the Australian Stock Exchange to 30 June 2005, the company has used cash and assets readily convertible to cash in a manner consistent with its business activities. During the year the company was involved in mineral exploration, principally in Pakistan and Argentina.

11. Schedule of Tenements as at 30 June 2005

Sweden Tenements

Tenement	Number	Area (sq km)	Lake Interest	Date of Grant	Date of Expiry
Moskosel Nr 1	nr 71/2002	42	100%	31/07/2002	30/07/2005

Pakistan Tenements

Tenement	Number	Area (sq km)	Lake Interest	Date of Grant	Date of Expiry
Amalaf	(1)/1059-69	63	100%	20/03/2000	19/03/2006
Dasht-i-Gauran	(4)/1048-58	59	100%	20/03/2000	19/03/2006
Koh-i-Sultan	(3)/1037-47	121	100%	20/03/2000	19/03/2006