

Lake Resources N.L.

Striving for clean high purity lithium for +25-years

Lake Resources (LKE) is focused on delivering high purity lithium via sustainable clean extraction technology at its flagship Kachi 4.4mt lithium carbonate (Li₂O₃) project, one among 5 projects (4 brine; 1 hard rock), all 100%-owned; all within Argentina's "Lithium Triangle", responsible for ~40% of global lithium output. LKE is keen to unlock value via site development & partnerships. US Lilac Solutions, LKE's technology partner at Kachi, is backed by Bill-Gates-led fund, Breakthrough Energy Ventures, plus other "names" including Jack Ma/Michael Bloomberg/Jeff Bezos. Lilac's ion-exchange water treatment beads eliminate salt-lake evaporation ponds used in conventional brine operations, allowing water to return to source while producing faster, scalable & sustainable high-purity 99.9% lithium for the latest batteries used in electric vehicles (EV). Samples from Lilac's lithium chloride pilot plant processed into Li₂CO₃ by Hazen Lab, will be evaluated by potential offtake partners, and tested in batteries by Novonix labs. A successful upgrade to commercial scale (3-4x pilot size) by 2023 offers game-changer potential. Although globally lithium markets (~300ktpa) are oversupplied, future 5G portable electronics & EV growth (assisted by more charge stations; longer distances & buyer subsidies eg UK £6k; Germany €9k) could lift demand to +1mtpa within 5-8 years, chiefly high-purity supplies. Kachi's 25.5ktpa project costs of \$4,178/t LCE are below the industry's 75% cost curve percentile & compare to Li₂CO₃ prices of ~\$5-8000/t CIF Asia. LKE recently raised \$2.55m to initiate Kachi's definitive feasibility study (DFS).

Business model

Lake Resources (LKE) aims to deploy sustainable clean technology to deliver high purity battery grade Li₂O₃ from its ~2,000 sq km of leases in Argentina's "Lithium Triangle". LKE's flagship Kachi brine project (a 4.4mt LCE resource) aims to sign strategic deals to support the \$544m construction of a 25.5ktpa Li₂CO₃ direct extraction operation, starting 2023, with a +25-year life and C1 cash costs of \$4,178/t versus current prices of ~\$5-8000/t CIF Asia. The project's DFS; on-site pilot plant build; commercial offtakes and regulatory approvals all aim to complete mid-2021, ahead of raising the construction debt/equity. Linked offtake-funding partners would be a strategic bonus. LKE's other 4 projects are at early-stage exploration.

Recent company commentary

LKE raised \$2.55m late-August to initiate its 100%-owned Kachi DFS, due mid-2021, & complete off-site production of Li₂CO₃ high purity offtake samples (via Lilac & Hazen) for potential downstream high density battery customers. LKE has also appointed Novonix Battery Labs to supply in-house battery cell chemistry data, expected December. LKE has a standby capital placement facility of A\$4.5m with Acuity Capital, expiring year-end. LKE has 52.5m listed OTM options @ \$0.10 (\$5.25m), expiring June-21.

Developer with "game-changing" lithium extraction

The 5 largest global lithium producers (~70% market) are SQM, Albemarle, Tianqi Lithium, Ganfeng Lithium & Livent. All are Latin American brine producers, with 1st/2nd quartile Li₂CO₃ costs. Australian & Chinese hard rock producers are more expensive, situated in the 4th cost quartile. There are over 70 ASX-listed entities alone with lithium exposure. While investors typically apply an EV/resource estimate to compare listed mining developers, given current lithium oversupplies, we consider relative Li₂CO₃ cost curve positions (where available) offer more realistic valuation comparisons.

Mining & exploration

4 September 2020

Share details

ASX Code	LKE
Share price (3-Sep)	\$0.032
Market Capitalisation	\$24.86M
Shares on issue	777.13M
Net Cash at 26/08/2020	\$2.45M*
Free float	57.1%

*\$2.55m (via 85.67m new shares) raised 26-Aug

Share performance (12 months)



Upside Case

- Kachi signs major offtake contract for supplies
- Kachi's \$540m construction secures full funding
- Global EV demand growth & competitor project delays improve Li₂CO₃ pricing outlook

Downside Case

- Global oversupply inhibits LKE's strategy
- Lithium battery power deposed by alternatives
- LKE fails to secure funding for Kachi

Catalysts/upcoming events

Dec20: Novonix battery lab test chemistry results
Nov20: AGM

Comparable companies (Aust/NZ)

Anson Resources (ASX:ASN), Argosy Minerals (ASX:AGY), BMG Resources (ASX:BMG); Battery Tech & Lithium ETF (ASX:ACDC); Galan Lithium (ASX:GLN); Lithium Power (ASX:LPI)

Top 5 shareholders

Justine Michel	3.93%
202 Ltd	2.25%
Acuity Capital Investment Management	2.23%
Steve Promnitz (MD)	2.10%
Raymond James	1.51%

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FINANCIAL SERVICES GUIDE

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