

4 June 2021

Kachi Project Finance Advances

- **Strong interest for lower cost project debt finance of Lake's flagship Kachi Lithium Project has been indicated, amid increasing focus from EV makers on sustainable, high purity lithium.**
- **Preliminary interest indicated by over half a dozen major international banks with strong experience of funding projects in Argentina subject to support from Export Credit Agencies.**
- **Lake well-funded through to final investment decision (FID) on construction finance, anticipated to be mid-2022, with A\$24 million in bank at end March 2021.**

Clean lithium developer **Lake Resources NL (ASX: LKE; OTC:LLKKF)** has advanced debt funding options for its flagship Kachi Lithium Project, with preliminary interest from over half a dozen major international banks to participate in ECA-led project debt finance, subject to Export Credit Agency (ECA) support.

The positive funding environment follows an increased focus by EV makers on supply chain sustainability, mandated by European Union regulations, and a requirement for high quality, battery-grade product.

In March 2021, Lake appointed SD Capital Advisory Limited and GKB Ventures Limited to arrange project finance, with a focus on ECAs (refer ASX release 3 March 2021). These financial advisers have actively engaged with Lake and the technical advisers at Hatch. They have conducted an in-depth analysis of Kachi's Pre-Feasibility Study (PFS) and sourcing funding opportunities. Environmental study consultant, Knight Piesold, is undertaking the environmental and social impact study (EISA), to prepare the project for permitting under global standards.

Initial outcomes are the potential for a significantly lower cost of capital to be applied to the Kachi project principally as a result of longer dated, lower cost ECA-led debt. The targeted level of financing support would be approximately 70% of the total funding required. The 'sweet spot' for ECA debt repayments is between 5 to 8 years post construction and build-out, implying total debt finance duration of up to 10 years. A number of sourcing opportunities have been identified where minimum export content thresholds can be met, making this project eligible for ECA support.

The financial advisers have highlighted the technical and commercial attractiveness of the Kachi project and its contribution to the UN Sustainable Development Goals, as well as the potential for a production expansion pending a planned resource upgrade and completion of further studies.

In a joint statement, David Buckle, of SD Capital and Gabriel Buck, of GKB Ventures respectively said: *"We are greatly encouraged by the progress being made and the early positive response from the project finance banks."*

The potential size and duration of the debt funding will be provided in the coming months, after expressions of interest are received from potential Export Credit Agencies. Importantly, Lake is well funded through to the final investment decision (FID) on construction finance for Kachi, anticipated in mid-2022, with A\$24 million in the bank at the end of the March quarter 2021.

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Feedback from the recent Benchmark Mineral Intelligence “EV Fest” has further highlighted the lack of supply of battery-quality lithium and also the need for a sustainably produced product, given the potential financial penalties facing EV makers in Europe concerning the minimization of their carbon footprint and satisfying EU import regulations.

Lake’s Managing Director, Steve Promnitz commented: *“Export credit agencies and the project finance banks are committed to the new energy transition and to projects with an ESG benefit that include Sustainable Development Goals. As a company focused on the sustainable, direct extraction of lithium to produce a high-quality, battery-grade product, Lake is ideally positioned to contribute to the achievement of these goals.*

“We look forward to advancing these talks further, together with potential international off-takers, as we progress the Kachi definitive feasibility study towards a successful outcome.”

Meanwhile, Lake has welcomed further support from Acuity Capital, which has agreed to increase the size of its Controlled Placement Agreement (CPA). The facility has been increased to \$30 million to better reflect Lake’s higher market capitalisation since the CPA was first established in July 2018 (see announcements, including 31 July 2018 and 27 November 2020).

As previously announced, the Company has utilised the CPA to raise a total of \$4,775,000 (see announcements on 1 September 2020, 22 September 2020 and 19 January 2021 for further details). The remaining standby equity capital available under the CPA is approximately \$25 million with an expiry date of 31 January 2023.

There is no requirement on Lake to utilise the CPA and there were no fees or costs associated with the increase to the CPA limit. Further, no additional security has been provided or required in relation to the increased CPA limit.

The financing progress follows a new drill testing program at Kachi, with Lake aiming to support an expansion of future production (refer ASX release 19 May 2021). Lake recently upgraded Kachi’s estimated NPV to US\$1.6 billion, based on the production of 25,500 tpa and on projected higher lithium prices, as it moves to increase its reserve base across its portfolio of projects in the ‘Lithium Triangle.’

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About Lake Resources NL (ASX:LKE OTC:LLKKF) –

Clean high purity lithium using efficient disruptive clean technology - in demand by EV makers and lithium ion batteries

Lake Resources NL (ASX:LKE, OTC: LLKKF) is a clean lithium developer utilising direct extraction technology for production of sustainable, high purity lithium from its flagship Kachi Project within the Lithium Triangle in Argentina among other projects covering 200,000 ha. This direct extraction method delivers a solution for two rising demands of electric vehicle batteries – high purity battery materials to avoid performance issues, and more sustainable, responsibly sourced materials.

1. **Clean-Tech:** Efficient, disruptive, cost-competitive technology using well-known water treatment re-engineered for lithium (not mining). Technology partner, Lilac Solutions Inc, supported by Bill Gates led Breakthrough Energy fund and MIT's The Engine fund.

2. **High Purity:** 99.97% purity lithium carbonate samples for a premium price. Demonstrated high quality in NMC622 lithium ion batteries (refer ASX announcement 20 October 2020; 2 March 2021).

3. **Sustainable /ESG:** Far smaller environmental footprint than conventional methods, that returns virtually all water (brine) to its source with a low CO2 footprint.

4. **Prime Location, Large Projects:** Flagship Kachi project in prime location among low cost producers with a large lease holding (70,000 ha) and expandable resource (4.4 Mt LCE) of which only 20% is used for 25 years production at 25,500tpa (JORC Resource: Indicated 1.0Mt, Inferred 3.4Mt, refer ASX announcement 27 November 2018). Pre-feasibility study by tier 1 engineering firm shows large, long-life low-cost operation with US\$1.6 billion NPV pretax, and annual EBITDA of US\$260 million from 2024 (refer ASX announcement 17 March 2021; 28 April 2020,).

An innovative direct extraction technique, based on a well-used ion exchange water treatment method, has been tested for over 18 months in partnership with Lilac Solutions, with a pilot plant module in California operating on Kachi brines and has shown 80-90% recoveries. Battery quality lithium carbonate (99.97% purity) has been produced from Kachi brine samples with very low impurities (refer ASX announcement 20 October 2020). The first samples of high purity (99.97% purity) battery quality lithium carbonate were tested in a NMC622 battery by Novonix with excellent results (2 March 2021).

This method of producing high purity lithium can revolutionise and disrupt the battery materials supply industry as it's scalable, low cost, and delivers a consistent product quality.

Lake's other projects include the Olaroz and Cauchari brine projects, located adjacent to major world class brine projects in production or construction, including Orocobre's Olaroz lithium production and adjoins the impending production of Ganfeng Lithium/Lithium Americas' Cauchari project. Lake's Cauchari project has shown lithium brines over 506m interval with high grades averaging 493 mg/L lithium (117-460m) with up to 540 mg/L lithium. These results are similar to lithium brines in adjoining leases and infer an extension and continuity of these brines into Lake's leases (refer ASX announcements 12 June 2019, 23 March 2021).

For more information on Lake, please visit <http://www.lakeresources.com.au/home/>