Lake Resources Limited - Update
Lilac Solution Inc backs its own tech – taking equity in Kachi

Lake Resources (LKE. ASX) announces that its clean technology partner Lilac Solutions Ltd (Lilac), will join the Argentinian Kachi project, earning up to 25% at the asset level, subject to performance hurdles. Lilac brings a new-patented technology to the lithium brine industry and its direct investment further reduces perceived funding and technology risk and increases the likelihood of project delivery. Lilac’s direct participation in Kachi is testament to their belief in their patented ion-exchange technology, which although new to the lithium industry has been used extensively in the water and uranium sectors. Lilac and its investors consider the time is right and the asset is right to deliver disruptive yet sustainable extraction technology, to some 40% of the world’s lithium supply.

Tech Funds support battery metals development – Overnight in the US, Lilac raised US$150m from Lowercarbon Capital (Lowercarbon), which is co-owned by Chris Sacca, a leading US technology portfolio manager. Sacca said, “I’ve been doing this a long time, but before Lilac, I’ve never seen a company whose product is 10,000x faster than the competition. Lilac’s success means much more affordable electric cars, hundreds of millions of tons less CO2 pollution, and a big step toward enhancing US national security.” The funding from Lowercarbon and other Lilac investors will flow indirectly through to Kachi. This is Lilac’s and Lowercarbon’s first investment in the lithium and clean technology supply chain and therefore, indicates that extensive due diligence has been conducted.

There is a sense of urgency – The threat to a successful energy transition is failure to develop needed battery materials. Mining projects can take up to 10 years to production and brine developments using water intensive evaporation ponds can take up to 5 years. With demand forecasts suggesting 10x growth to 2030 and 30x growth to 2040 and lithium prices doubling over the last year, it is clear the lithium market is far from being balanced. The stage is set for disruption and Lilac’s DLE technology reduces project development times to 1.5-3 years and processing times to just hours.

The outlook for securing Tier-1 offtaker improves – With the UK Government indicating substantial low cost debt financing support, Lilac’s direct involvement in Kachi and Lilac’s successful funding round overnight, CCR considers the prospect of securing Tier-1 offtakers has risen. An offtaker may consider that two key risks, being financing and technology, have been significantly reduced.

Valuation upside – We reduce LKE’s Kachi equity to 75%. With no upfront payments, we estimate LKE’s value dilution to be equal to the value Lilac & the ECA add back from an offtakers perspective. To achieve this we lift Phase-1 risking from 0.6x to 0.75x NPV8 and Phase-2 from 0.15x to 0.25xNPV8. Using a nominal NPV8, our 12-month value is $1.40/share. Discounting this value by 25% yields a 12-month target price of $1.05/share.
Company Summary

Investment thesis – Lithium Triangle produces 40% of worlds lithium and hosts large deposits

LKE aims to become a major global producer of high quality battery grade lithium carbonate. It holds 100% equity in four significant Argentinian brine assets situated in the Lithium Triangle, which produces around 40% of global lithium production. LKE plans to use disruptive lithium extraction technology to produce lithium for sales into Europe, US and Asia. With its clean technology partner Lilac, LKE is moving fast to bring a low carbon, low water, low waste, light footprint, and low-cost - high value project to market. The DFS is due early 2022, construction could start mid 2022 and production of high purity lithium could commence 2024. NMCG22 cell samples created by NOVONIX, using LKE lithium carbonate, demonstrated Tier-1 quality and have been sent to customers for battery testing against commercial peers. Results are expected in coming months.

Other recent activities include;
- Strong Expression of Interest to fund 70% of Kachi Project (August ’21)
- Lake adds Argentina-based female director to support development (July ’21)
- Kachi drilling underway to support doubling of lithium production (July ’21)
- Kachi project finance advances (June ’21)
- Lake accelerates exploration across broader portfolio (March ’21)
- PFS refreshed – price increased to US$15,500/t (March ’21)
- Positive Initial NOVONIX battery cell testing results for Lake high purity lithium carbonate (March ’21)

Kachi Project Valuation – PFS refreshed (real terms)

Kachi is one of three deposits located in Argentina. LKE plans to develop Kachi to produce 25.5kt LCE/year. The PFS suggests the 25-year project life would utilise ~20% of the total resource. The direct lithium extraction (DLE) plant is modular and scalable.

<table>
<thead>
<tr>
<th>JORC RESERVES</th>
<th>Measured</th>
<th>Indicated</th>
<th>Inferred</th>
<th>Measured &amp; Indicated</th>
<th>Measure, Indicated &amp; Inferred</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kachi (net 100%)</td>
<td>-</td>
<td>1.01</td>
<td>3.40</td>
<td>1.01</td>
<td>4.41</td>
</tr>
</tbody>
</table>

LKE recently refreshed the PFS to include a lithium price assumption of US$15,500 up from US$11,000 used in the April ‘20 PFS. Lithium prices are presently rising strongly in China and with few projects under construction/expansion it is considered buyers could pay price premiums for the cleaner, high quality lithium for use in battery cathodes. LKE reported that no other assumptions were altered to achieve an upgrade of the NPV8 from US$748m to US$1.58Bn (A$2.1Bn). The project’s EBITDA/year increased from US$155m to US$257m. Breaking this down, the gross profit/t increased 65% from US$6,822/t to US$11,322/t.

Company Valuation Summary – (Nominal terms refer page 14 for details)

Our modelled Phase-1 development is based on the refreshed PFS. We model a Phase-2 expansion to 51kt. Phase-1 value is then discounted by 35% and Phase-2 by 85%. We reduce project equity to 75%. We then value LKE at $1.23/share and $1.40/share in 12-months.

Catalysts timeline (source: Lakes Resources CCR estimates)
Lilac Solutions Inc Partner for life of Kachi Project

Who is Lilac Solutions? Lilac is a Californian based private company, LKE’s Clean Technology partner and owner of patented Direct Lithium Extraction Process that uses ion-exchange. Lilac’s Shareholders include the Breakthrough Energy Ventures, which is helmed by Bill Gates. Investors in the Venture Fund include Jeff Bezos, Jack Ma, Richard Branson and Warren Buffet amongst others. Other lead investors in Lilac include MIT’s The Engine, Prime Impact Fund, and now Lowercarbon Capital, a newly established US based US$800m fund investing in lower carbon technologies.

What does the Lilac technology enable? The ion-exchange technology is disruptive to the lithium industry as it enables lithium producers to accelerate brine development from years to hours and is both energy and water efficient, returning lithium rich brine stripped of its lithium back to the aquifer.

Although ion-exchange is new to the lithium brine industry, its principles are very well understood. In fact, it has been used for decades to clean water and separately half of the world’s uranium is produced via ion-exchange.

How will the new Kachi Project partnership work? Lilac has been LKE’s technology partner for some time. Now they will be stepping up to take equity at the asset level. This involvement is testament to their belief in their patented DLE technology that has recoveries between 80-90%. CCR continues to model a lithium recovery rate from the brine of 83%.

Highlights of the announced project partnership include:

- Lilac will be investing at the asset level of the Kachi project. They will not be taking up equity in LKE
- Lilac will earn a direct equity in Kachi of 10% to 25%; subject to conditions precedent and quality of product produced (refer ASX release)
- If Lilac can ensure the quality of the product produced meets the highest qualification standards of the offtakers, then its equity will increase from 20% to 25%. Their earn-in is expected to complete in 2022. After that Lilac will contribute their share of the capex, which LKE has estimated to be US$50m. We note that this is slightly in excess of the US$41m that 25% participation might suggest. We consider Lilac is motivated to maintain quality and thus CCR reduces LKE equity in Kachi to 75%
- Lilac will build, at their cost, the Demonstration Plant that should be operational in 1H22
- Lilac will operate all DLE modules on site in Argentina, whilst LKE will manage all other activities
- Lilac has raised US$150m to fund their new equity in Kachi. Lilac currently have 25 engineers on staff and expect this to double over the next 9-months
- The partnership is exclusive within the Kachi Basin. There are other exclusivity aspects of the deal in other areas
- Lilac announced they would commit funds effective immediately.

The recommendations and opinions expressed in this research report accurately reflect the research analyst’s personal, independent, and objective views about any and all the companies and securities that are the subject of this report discussed herein. For important information, please see the Important Disclosures on page 10 & 11 of this document.
ESG benefits: ion exchange yields a high purity product, low water usage, fast to market

ESG & e-mobility megatrends collide as offtakers and investors pursue low emissions, low waste and socially aware investments. Water sustainability is important. Roskill suggests around 70% of lithium extracted from South American brines is located in areas described as having a “High” water risk.

As a result, the tracking and reporting of carbon emissions, as well as water flows and usage, will be key to establishing the true value of LKE’s ESG credentials. Recently, Vulcan released its ESG score and significant market outperformance followed. LKE announced in the Lilac webinar, that they plan to have some data around this in coming months.

In summary, LKE will not be using evaporation ponds to concentrate the lithium. LKE was concerned about project delays and lack of approvals for evaporation ponds on lithium projects in Chile and the lack of water sustainability. This caused LKE to reassess how they might develop the Kachi deposit. Early on, LKE sought to proactively seek out disruptive technology that could not only improve lithium quality and yields, but was also water efficient.

Lilac Solutions Inc, backed by the Bill Gates led Breakthrough Energy Fund, had developed such a patented technology.

The Lilac process is NOT water intensive: The Lilac process at Kachi was designed to use the lowest amount of water of any DLE process under investigation. This was considered necessary as Kachi is located in arid to semi arid areas where available fresh water, used in processing, is scarce.

How does the Direct Lithium Extraction process work? Wells are drilled into the salt brine at around 100m-400m, which then flows to surface and in to nearby plant and fibreglass tanks. Phase-1 to 25.5kt/year will see 23-milion litres of brine being continually processed each year. This would double if production were doubled to 51kt/year. The tanks on site contain special ion-exchange beads, which the lithium latches onto. The beads collect around 83% of the lithium in solution. The brine, ex the lithium on the beads, is then returned to the aquifer. The beads are then stripped of the lithium and re-used. The purified lithium chloride concentrate, from Lilac’s process, is further concentrated, purified and fed into a conventional lithium carbonate plant.

This process is a closed circular system that the EU and others are seeking as they move into a low carbon, low waste era.

Key disruptive features of Clean Tech as outlined by Lilac and LKE:

- No mining, crushing or evaporation ponds required
- Simple project flowsheet is more efficient (lower cost and very fast...hours versus years!)
- Doubles lithium recoveries – concentrates from 45% to 85% effectively doubling reserves
- No water politics – as 99% of brine is re-injected back into the reservoir; and
- 90% smaller physical project footprint; and Delivers a constant product quality.
CCR Valuation is DCF based

We continue to model Kachi in line with the original PFS. The CCR model assumptions are noted in our initiation report.

Recent changes to assumptions were detailed in our most recent report and included; raising the lithium price from US$14,500 to US$15,500/t, project de-risking and a reduction to the interest rate payable on debt from 7.5% to 4.5%, supported by ECA guarantees and direct lending.

Now following the Lilac announcement we have had to make some additional changes. LKE’s equity in Kachi has been reduced from 100% to 75% and the project has been further de-risked. Phase-1 probability of occurring has increased from 60% to 75% and the probability of Phase-2 proceeding has increased from 15% to 25%. How did we arrive at these numbers? We iterated the risk until we arrived at the same valuation for 12-months out as we had prior to the Lilac announcement.

In effect, we consider securing Lilac as a partner has increased the probability funding will be finalised and offtakers secured. On this basis, we calculate the value add to be equal to the dilution for modelling purposes. We do recognise on a totally de-risked project basis that project value has been reduced by 25%. However, if the risking stayed where it was the project would never be developed. It would remain a low valued option. By reducing project risk the inherent option value has been exercised. This is called progress and really is an exercise in risk and profit sharing.

As a result of the Lilac partnership, LKE may be able to re-instate value along the chain by using a combination of the following:

- Achieving higher recoveries. Lilac controls this outcome and suggests recovery in the range of 80-90%, CCR currently models 83%
- Using cheaper/cleaner renewables. Renewables to gas ratio expected to be 25%/75%
- Achieving pre-payments from offtakers
- Premium pricing secured from offtakers due to perceptions of lower operational risk; and
- Or a mixture of the last two.

We note that a 23% increase in our lithium price assumption could remove the effects of long-term project dilution.

### VALUATION UPDATE (RISKED VALUATION - Based on SCENARIO-1)

<table>
<thead>
<tr>
<th>Scenario-1</th>
<th>Discount Rate</th>
<th>NOW</th>
<th>12-months</th>
<th>2-year</th>
<th>3-year</th>
<th>4-year</th>
<th>8-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kachi Phase-1</td>
<td>8%</td>
<td>0.92</td>
<td>1.09</td>
<td>1.35</td>
<td>1.38</td>
<td>1.36</td>
<td>1.30</td>
</tr>
<tr>
<td>Kachi Phase-2</td>
<td>8%</td>
<td>0.25</td>
<td>0.26</td>
<td>0.29</td>
<td>0.32</td>
<td>0.35</td>
<td>0.55</td>
</tr>
<tr>
<td><strong>Total Kachi Project value</strong></td>
<td><strong>A$/share</strong></td>
<td><strong>1.17</strong></td>
<td><strong>1.35</strong></td>
<td><strong>1.64</strong></td>
<td><strong>1.70</strong></td>
<td><strong>1.71</strong></td>
<td><strong>1.85</strong></td>
</tr>
<tr>
<td>Other Argentina assets</td>
<td></td>
<td>0.04</td>
<td>0.04</td>
<td>0.05</td>
<td>0.05</td>
<td>0.06</td>
<td>0.06</td>
</tr>
<tr>
<td><strong>Total Argentina</strong></td>
<td><strong>A$/share</strong></td>
<td><strong>1.21</strong></td>
<td><strong>1.40</strong></td>
<td><strong>1.69</strong></td>
<td><strong>1.75</strong></td>
<td><strong>1.77</strong></td>
<td><strong>1.94</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scenario-2</th>
<th>Discount Rate</th>
<th>NOW</th>
<th>12-months</th>
<th>2-year</th>
<th>3-year</th>
<th>4-year</th>
<th>8-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kachi Project value</td>
<td>10%</td>
<td>(0.04)</td>
<td>(0.04)</td>
<td>(0.04)</td>
<td>(0.04)</td>
<td>(0.04)</td>
<td>(0.04)</td>
</tr>
<tr>
<td>Working Capital</td>
<td></td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
</tr>
<tr>
<td>Net Cash Cash (last qtr rpt-adj)</td>
<td></td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
<td>0.02</td>
</tr>
<tr>
<td><strong>Scenario-2 LKE value</strong></td>
<td><strong>A$/share</strong></td>
<td><strong>1.22</strong></td>
<td><strong>1.40</strong></td>
<td><strong>1.69</strong></td>
<td><strong>1.75</strong></td>
<td><strong>1.77</strong></td>
<td><strong>1.95</strong></td>
</tr>
<tr>
<td>Other assets</td>
<td></td>
<td>0.05</td>
<td>0.05</td>
<td>0.05</td>
<td>0.05</td>
<td>0.06</td>
<td>0.10</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Scenario-3</th>
<th>Discount Rate</th>
<th>NOW</th>
<th>12-months</th>
<th>2-year</th>
<th>3-year</th>
<th>4-year</th>
<th>8-year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kachi Project value</td>
<td></td>
<td>1.77</td>
<td>2.03</td>
<td>2.43</td>
<td>2.53</td>
<td>2.58</td>
<td>2.93</td>
</tr>
<tr>
<td>Other assets</td>
<td></td>
<td>2.23</td>
<td>2.51</td>
<td>2.97</td>
<td>3.12</td>
<td>3.23</td>
<td>3.92</td>
</tr>
<tr>
<td><strong>Scenario-3 LKE value</strong></td>
<td><strong>A$/share</strong></td>
<td><strong>2.28</strong></td>
<td><strong>2.56</strong></td>
<td><strong>3.02</strong></td>
<td><strong>3.17</strong></td>
<td><strong>3.28</strong></td>
<td><strong>4.02</strong></td>
</tr>
</tbody>
</table>

The recommendations and opinions expressed in this research report accurately reflect the research analyst's personal, independent, and objective views about any and all the companies and securities that are the subject of this report discussed herein. For important information, please see the Important Disclosures on page 10 & 11 of this document.
### RISKED EARNINGS FORECAST, CASHFLOW & BALANCE SHEET

**PRICE: A$0.61**

#### PROFIT AND LOSS (Year End June)

<table>
<thead>
<tr>
<th>Year ending 30 June</th>
<th>Unit</th>
<th>2020A</th>
<th>2021F</th>
<th>2022F</th>
<th>2023F</th>
<th>2024F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>A$m</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Expenses</td>
<td>A$m</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBITDA</td>
<td>A$m</td>
<td>(4.5)</td>
<td>(4.8)</td>
<td>(3.0)</td>
<td>(3.2)</td>
<td>35.7</td>
</tr>
<tr>
<td>Depreciation</td>
<td>A$m</td>
<td>(0.0)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EBIT</td>
<td>A$m</td>
<td>(4.5)</td>
<td>(4.8)</td>
<td>(3.0)</td>
<td>(3.2)</td>
<td>35.7</td>
</tr>
<tr>
<td>Net interest (expense)</td>
<td>A$m</td>
<td>(0.6)</td>
<td></td>
<td></td>
<td></td>
<td>(7.4)</td>
</tr>
<tr>
<td>PBT</td>
<td>A$m</td>
<td>(5.0)</td>
<td>(4.8)</td>
<td>(3.0)</td>
<td>(3.2)</td>
<td>28.3</td>
</tr>
<tr>
<td>Tax expense</td>
<td>A$m</td>
<td>(0.0)</td>
<td></td>
<td></td>
<td></td>
<td>(1.8)</td>
</tr>
<tr>
<td>NPAT (pre-abnormal)</td>
<td>A$m</td>
<td>(4.9)</td>
<td>(4.8)</td>
<td>(3.0)</td>
<td>(3.2)</td>
<td>26.5</td>
</tr>
<tr>
<td>Abnormal items</td>
<td>A$m</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NPAT (reported)</td>
<td>A$m</td>
<td>(4.9)</td>
<td>(4.8)</td>
<td>(3.0)</td>
<td>(3.2)</td>
<td>26.5</td>
</tr>
</tbody>
</table>

#### PRODUCTION ESTIMATES (Net)

<table>
<thead>
<tr>
<th>Year ending 30 June</th>
<th>Unit</th>
<th>2020A</th>
<th>2021F</th>
<th>2022F</th>
<th>2023F</th>
<th>2024F</th>
</tr>
</thead>
<tbody>
<tr>
<td>PROJECTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brine treated</td>
<td>mcm</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>4 18</td>
</tr>
<tr>
<td>Brine grade</td>
<td>mg/L</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>250 250</td>
</tr>
</tbody>
</table>

#### CASH FLOW

**Year ending 30 June**

<table>
<thead>
<tr>
<th>OPERATING CASHFLOW</th>
<th>Unit</th>
<th>2020A</th>
<th>2021F</th>
<th>2022F</th>
<th>2023F</th>
<th>2024F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash flow</td>
<td>A$m</td>
<td>(3.5)</td>
<td>(3)</td>
<td>(3)</td>
<td>(3)</td>
<td>24</td>
</tr>
</tbody>
</table>

**INVESTING CASHFLOW**

| PP&E              | A$m  |       |       |       |       |
| Exploration & evaluation | A$m  |       |       |       |
| Sustaining capital (from 2020) | A$m  |       |       |       |
| Rehabilitation charge | A$m  |       |       |       |

**FINANCING CASHFLOW**

| Share issues | A$m  | 6      |
| Project equity | A$m  |       |
| Project debt | A$m  |       |
| Capital | A$m  |       |

| Financing cash flow | A$m  | 5 20 50 310 |
| Surplus Cashflow | A$m  | 3 14 37 178 273 |

#### SHAREHOLDER’S EQUITY

| Liabilities | A$m  | 18 35 82 389 421 |
| Credits | A$m  | 0 14 51 229 (36) |
| Accounts receivable | A$m  | 0.3 0.3 0 0 0 |
| PP&E (Capex less depreciation) | A$m  | 122 411 |
| Exploration & evaluation assets | A$m  | 17 20 30 38 46 |
| Other | A$m  | 0 0 0 0 0 |
| Total assets | A$m  | 1 1 1 1 1 1 |
| SHAREHOLDER’S EQUITY | A$m  | 35 57 107 201 205 |
| Shares capital | A$m  | 3 3 3 3 3 3 |
| Reserves | A$m  | 22 27 29 33 6 6 |
| Retained earnings | A$m  | 17 34 81 171 202 |
| Diluted weighted average Nows | A$m  | 1,047 1,047 1,268 1,330 1,330 |

#### RATIOS

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>Unit</th>
<th>2020A</th>
<th>2021F</th>
<th>2022F</th>
<th>2023F</th>
<th>2024F</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Cash (Debit)</td>
<td>A$m</td>
<td>0 14 51 (326)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Debt/Equity</td>
<td>% 0.0 0.0 0.0 35.16% 15.16%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EPS</td>
<td>cps</td>
<td>(0.00) 0.02</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>PE ratio</td>
<td>ratio</td>
<td>-130.3x -133.7x -258.8x 252.4x 30.6x</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ebita ratio</td>
<td>ratio</td>
<td>- - 0.6x 0.7x</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EV/EBITDA ratio</td>
<td>ratio</td>
<td>- - 201.6x 16.1x</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Note:** The above is based on Scenario 1, Phase 1 at 60% and Phase 2 at 15%. As the riskings changes so does the input to the P&L, Cashflow and Balance Sheet.

---

**Diections:**

- **Lithium carbonate (LCE):**
  - 2023F: 15,900, 15,900, 16,285, 16,692
  - 2024F: 17,900, 18,295, 20,150

- **Lithium carbonate (LCE) A$/t:**

### MARKETS MODEL

- **Market cap:** A$m 674
- **Cash:** A$m 26
- **Debt:** A$m
- **Enterprise value (EV):** A$m 648

**EXCHANGE RATE (long term)**

- **2023F:** 1.49
- **2024F:** 1.55

**Price:**

- **Lithium:** US$/kg 17 18 17 17
- **Lithium carbonate (LCE):** US$/t 15,000 15,000 16,285 16,692
- **Lithium carbonate (LCE) A$/t:** 20,667 21,183 21,713 22,256

---

**DISCOUNTED CASHFLOW MODEL**

- **Nominal Discount**
  - **Unrisked**
  - **Risked**

**Valuation sensitivities**

- **Lithium prices:**
  - **US$/kg:**
    - **Base:** 15,500, 1,253, 1,254, 1,254
    - **Low:** 13,500, 1,220, 0.96, -21%
    - **High:** 17,500, 1,894, 1.49, 22%

-- **Exchange rate (long term)**

**Operating costs**

- **(+0.1):**
  - **30%:** A$m 0.3 1.08, 0.54, -11%
  - **5%:** A$m 0.05 1.00, 0.51, -16%

**WACC (post tax)**

- **Base:** A$m 0.65 1.32, 1.02
- **High:** A$m 0.05 1.73, 1.36, 12%
- **Low:** A$m 0.05 1.40, 1.10, -10%

---

**Risked NPV8**

- **Kachi Lithium Phase-1:**
  - **8%:** 1,549 1.22, 75% 1,162 0.92
  - **Kachi Expansion Phase-2:**
  - **8%:** 1,280 1.01, 25% 320 0.25

**Target Price 12-months out**

- **A$/share:** 1.40

---

**Important information:**

- Please see the Important Disclosures on page 10 11 of this document.
Lake Resources Limited - Update
Low cost funding pathway opening up

Corporate Connect Research Pty Ltd Independent Research Report Disclaimer

General disclaimer and copyright

This report ("report" or "Research") has been commissioned by the Company the subject of this report ("Lake Resources Ltd") and prepared and issued by (Di Brookman AR number 1283213) of Corporate Connect Research Pty Ltd ("Corporate Connect Research") (ABN 95640 464 320 – Corporate Authorised Representative (AR number 1281982) of Australian Financial Services Licence (AFSL) Number 488045) in consideration of a fee payable by the Company. Corporate Connect Research may be paid additional fees for the provision of additional services to the Company but Corporate Connect Research is not remunerated for any investment banking or similar services. Where Corporate Connect Research has been commissioned to prepare content and receives fees for its preparation, fees are paid upfront in cash and NO part of the fee, compensation or employee remuneration paid will either directly or indirectly impact the content provided.

Accuracy of content

All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however Corporate Connect Research does not guarantee the accuracy or completeness of this report and has not sought for this information to be independently verified. Opinions contained in this report represent those of the analyst of Corporate Connect Research (Di Brookman AR number 1283213) at the time of publication. The analyst has received assistance from the Company in preparing this document. The Company has provided the analyst with access to senior management and information on the Company and industry.

From time to time, Corporate Connect Research’s representatives or associates may hold interests, transact or hold directorships in, or perform paid services for, companies mentioned in this report. Corporate Connect Research and its associates, officers, directors and employees, may, from time to time, hold securities in the companies referred to in this report and may trade in those securities as principal and in a manner that may be contrary to recommendations mentioned in this report.

As part of due diligence, the analyst has independently and critically reviewed the assistance and information provided by the Company to form the opinions expressed in the report. However, due diligence site visits have not been undertaken at this time. Care has been taken by the analyst to maintain objectivity in preparing this report and making any recommendation. The analyst is responsible for ensuring that this report accurately reflects his or her view of the matters set out in it and that it was prepared in an independent manner.

Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results and estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. This report is prepared as at the date stated in it, and to the maximum extent permitted by law, Corporate Connect Research (on its own behalf and on behalf of the analyst) disclaims any responsibility to inform any recipient of this report of any matter that subsequently comes to its notice, which may affect any of the information contained in this report.

Exclusion of liability

To the fullest extent allowed by law, Corporate Connect Research (on its own behalf and on behalf of the analyst) shall not be liable to any person for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you or any other person arising out or in connection with the access to, use of or reliance on any information contained in this report.

No guarantees or warranties regarding accuracy, completeness or fitness for purpose are provided by Corporate Connect Research (on its own behalf and on behalf of the analyst), and under no circumstances will any of Corporate Connect Research’s analysts, representatives, associates or agents be liable for any loss or damage, whether direct, incidental or consequential, caused by reliance on or use of the content.

General advice warning

This report and any other Research must not be construed as personal advice or recommendation nor as an inducement to trade the report’s named company or any other security. Corporate Connect Research encourages investors to seek independent financial advice regarding the suitability of investments for their individual circumstances and recommends that investments be independently evaluated. Investments involve risks and the value of any investment or income may go down as well as up. Investors may not get back the full amount invested. Past performance is not indicative of future performance. Estimates of future performance are based on assumptions that may not be realised. If provided, and unless otherwise stated, the closing price provided is that of the primary exchange for the issuer’s securities or investments. The information contained within the Research is solely for purposes of information and is not a solicitation or offer to buy or sell any financial product or participate in any trading or investment strategy.

Analysis contained within the Research is based upon publicly available information and may include numerous assumptions. Investors should be aware that different assumptions can and do result in materially different results. The Research is distributed only as may be permitted by law. It is not intended for distribution or use by any person or entity located in a jurisdiction where distribution, publication, availability, or use would be prohibited. Corporate Connect Research makes no claim that the Research content may be lawfully viewed or accessed, whether inside or outside of Australia. Access to the Research content may not be legal for certain persons and in certain jurisdictions. If you access this service or content from outside of Australia, you are responsible for compliance with the laws of your jurisdiction and/or the jurisdiction of the third party receiving such content. The Research is provided to our clients through our website and our distribution partners (www.sharecafe.com.au and www.informedinvestor.com.au).

Some Research products may also be made available to our clients via third party vendors or distributed through alternative electronic means as a convenience. Such alternative distribution methods are at Corporate Connect Research’s discretion.
Lake Resources Limited - Update
Low cost funding pathway opening up

Access and use
Any access to, or use of, the Research is subject to the Terms and Conditions of Corporate Connect Research. By accessing or using the Research you hereby consent to Corporate Connect Research collecting and using your personal data (including cookies) in accordance with our Privacy Policy (https://corporateconnect.com.au/privacy/), including for the purpose of a) setting your preferences and b) collecting readership data so Corporate Connect Research may deliver an improved and personalised service to you. If you do not agree to our Terms and Conditions and/or if you do not consent to Corporate Connect Research’s use of your personal data, please do not access this service.

Copyright of the information contained within the Research (including trademarks and service marks) are the property of the respective owners. The Research, or any portion thereof, may not be republished, reprinted, sold, or redistributed without the prior and written consent of Corporate Connect Research.

Australia
Corporate Connect Research Pty Ltd is a Corporate Authorised Representative (1283214) of PacReef Asset Management Pty Ltd who holds an Australian Financial Services Licence (Number: 488045), which allows Corporate Connect Research to offer financial service advice to wholesale clients. Any advice given by Corporate Connect Research is general advice only and does not consider your personal circumstances, financial situation, needs or objectives. You should, before acting on this advice or making any investment decision or a decision about whether to acquire or dispose of a financial product mentioned in any Research, consider the appropriateness of the advice, having regard to your objectives, financial situation, and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument, and also seek independent financial, legal and taxation advice.

New Zealand
The Research in this document is intended for New Zealand resident professional financial advisers or brokers This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a “personalised service” and, to the extent that it contains any financial advice, is intended only as a “class service” provided by Corporate Connect Research within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom
This document is prepared and provided by Corporate Connect Research for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “FPO”) (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on, or act upon, the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States
Corporate Connect Research relies upon the “publishers’ exclusion” from the definition of investment adviser under Section202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Corporate Connect Research does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a commendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Analyst Verification
I verify that I, (Dl Brookman) have prepared this research report accurately and that any financial forecasts and recommendations that are expressed are solely my own personal opinions. In addition, I certify that no part of my compensation is or will be directly or indirectly tied to the specific recommendation or financial forecasts expressed in this report.

For more information contact Corporate Connect
www.corporateconnect.com.au

Sydney
79 Kent St
Millers Point
Sydney NSW 2000

Phone: +61 400 897 559
Email: enquiries@corporateconnect.com.au