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(ASX: LKE)

Price	AUD0.60
52 Week Range	(AUD0.05 - AUD0.68)
Price Target	AUD1.30
Market Cap (mil)	AUD610.00
Exchange rate	1US\$ = 1.37 AUD
Shares out (mil)	1,123.72
3-Mo Avg Vol	9,282,734

Revenues (millions) AUD

Yr Dec	2020A		2021E		2022E	
	Actual	Curr	Prev	Curr	Prev	
YEAR	0A	--	--	0E	--	--

EPS AUD

Yr Dec	2020A		2021E		2022E	
	Actual	Curr	Prev	Curr	Prev	
YEAR	(0.01)A	--	--	(0.01)E	--	--



Lake Resources

Buy

Volatility: 5

Additional LOI Received from Export Credit Agency; Increases Financing Flexibility for Kachi

Letter of Intent received from Export Development Canada (EDC) for up to \$100 million in funding to develop Lake's cornerstone Kachi project. We note that the LOI from EDC serves as the second credit agency LOI following the receipt of an LOI from the U.K. Export Finance in early August. In our view, the expression of interest from two separate lending agencies mitigates single-lender risk and serves as a vote of confidence with respect to Kachi serving as a clean source of lithium supply. In short, we believe access to low-cost fund through the aforementioned credit agencies should aid in the successful development of Kachi. As such, we are reiterating our Buy rating and A\$1.30 price target.

- **Low interest financing to cover bulk of Kachi CapEx.** Lake expects both agencies to work alongside one another to fund approximately 70% of Kachi's initial capital requirements, which currently stands at \$544 million. Under this arrangement, EDC is expected to provide direct lending of up to \$100 million, which we expect to feature attractive terms. Lake noted that as of the September 6, 2021, a similar loan under the program carries an interest rate of just 1.77% fixed rate over an 8.5-year repayment term. In our view, the involvement of multiple Credit Export Agencies provides a clear path to low-cost funding for the debt portion of the Kachi financing package. While the Letters of Intent are not binding, we believe they serve as a strong indication of financing that should be available to Lake assuming a positive DFS and ESIA are delivered.
- **Upcoming catalysts to continue to unlock value.** In addition to advancing discussions with respect to the financing package at Kachi, we expect the next year to be catalyst-rich as the DFS and expansion case, ESIA, as well as details surrounding the demonstration plant are expected to be announced over the next few quarters. We believe the successful delivery of these items should continue to drive a re-rating in shares as the project moves towards a potential positive development decision. To this end, we believe permitting and financing could be in place during 2H22 with construction commencing by the end of 2022. Based on this timeline, we believe Kachi has the potential to enter production during 2H24, which is around the time we expect the lithium market to enter a supply/demand imbalance and the need for clean high-quality lithium increases sharply.
- **We are reiterating our Buy rating and A\$1.30 price target.** Our valuation is based on a NAV analysis at Kachi utilizing a 9% discount rate. As a reminder, our valuation does not include the potential for a larger operation to 51,000 tpa, which management is currently evaluating. We believe this, coupled with the aforementioned catalysts on the horizon, supports our view that Lake is an undervalued lithium developer with the ability to meaningfully re-rate over the next year.

Valuation:

Our A\$1.30 price target is predicated on a NAV analysis utilizing a 9% discount rate.

Risks to achievement of target price:

- **Commodity Price Risk.** A significant increase/decrease in commodity prices can significantly impact our valuation and price target. That said, if a weaker price environment prevails in the lithium market, company's business may suffer from lower or negative margins. While we view this as a risk to the company, we believe the long-term outlook for lithium is bright.
- **Political Risk.** The company's primary asset is in Argentina. While we believe political risk is heightened in Argentina, we note that the company's provide is in close proximity to various operating lithium projects, which we believe lowers jurisdictional risk for the company.
- **Financial Risk.** Lake is a pre-revenue company. Given this, we believe additional capital may be required to execute on its objectives. We expect the company to raise additional capital over the next 12 months in various forms including but not limited to equity or debt. We note that there are no assurances as to the terms or whether the company can secure the necessary capital required to move forward with its business plan.
- **Operational Risk.** Although the company's technology has been proven at a small scale, we note that risks remain with respect to the successful operation of its DLE technology at a commercial scale.
- **COVID-19 risk.** We note that any escalations in the COVID-19 pandemic could cause delays in ABML procuring equipment, personnel, and financing required to advance its recycling pilot plant facility. *Please see the company's EDGAR filings for a more comprehensive discussion of potential risks.

Company description:

Lake Resources NL explores for and develops lithium brine projects in Argentina. Its flagship project is its 100% owned Kachi lithium brine project that consists of 37 mining leases covering an area of approximately 70,400 hectares located in Catamarca province, Argentina. The company was founded in 1997 and is based in Sydney, Australia. *Source: Yahoo! Finance.*

Lake Resources Income Statement

000s A\$	2020A	1H21A	2H21E	2021E	1H22E	2H22E	2022E
Revenue	-	-	-	-	-	-	-
Operating expenses	(4,393)	(1,484)	(1,666)	(3,150)	(2,426)	(3,126)	(5,551)
Operating income	(4,393)	(1,484)	(1,666)	(3,150)	(2,426)	(3,126)	(5,551)
Other expenses	(466)	(28)	(150)	(178)	(150)	(150)	(300)
Pretax income	(4,859)	(1,512)	(1,816)	(3,327)	(2,576)	(3,276)	(5,851)
Taxes	(44)	-	-	-	-	-	-
Net income	(4,903)	(1,512)	(1,816)	(3,327)	(2,576)	(3,276)	(5,851)
EPS	(\$0.01)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)
Total valuation	\$ 1,555,095						
NAVPS	\$1.30						

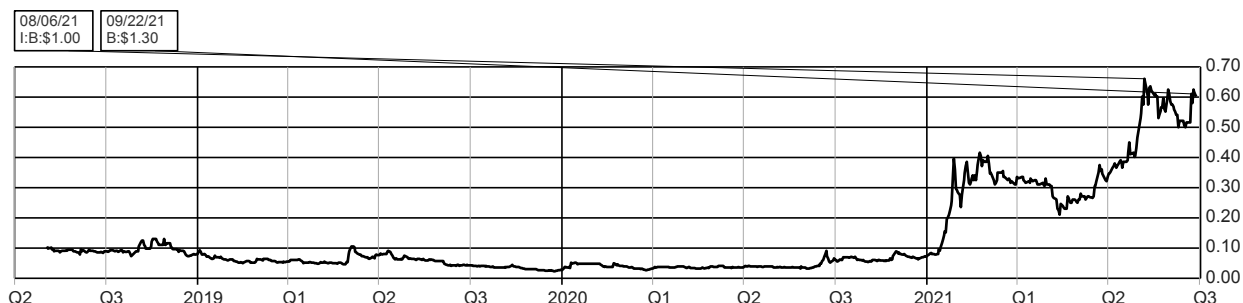
Source: ASX Filings, Alliance Global Partners estimates, Lake Resources reports

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Important Research Disclosures

Rating and Price Target History for: Lake Resources (LKE) as of 09-27-2021



Created by: BlueMatrix

Distribution of Ratings/IB Services

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [BUY]	106	86.18	30	28.30
HOLD [NEUTRAL]	13	10.57	1	7.69
SELL [SELL]	0	0.00	0	0
NOT RATED [NR]	4	3.25	1	25.00
UNDER REVIEW [UR]	0	0.00	0	0

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Regulation Analyst Certification ("Reg AC") — Jake Sekelsky,

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Ratings

Buy: Expected to materially outperform sector average over 12 months and indicates total return of at least 10% over the next 12 months.

Neutral: Returns expected to be in line with sector average over 12 months and indicates total return between negative 10% and 10% over the next 12 months.

Sell: Returns expected to be materially below sector average over 12 months and indicates total price decline of at least 10% over the next 12 months.

Not Rated: We have not established a rating on the stock.

Under Review: The rating will be updated soon pending information disclosed from a near-term news event.

Volatility Index

1 (Low): Little to no sharp movement in stock price in a 12 month period

2 (Low to medium): Modest changes in stock price in a 12 month period

3 (Medium): Average fluctuation in stock price in a 12 month period

4 (Medium to High): Higher than average changes in stock price in a 12 month period

5 (High): Extremely sharp movements in stock price in a 12 month period

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