MELBOURNE, Sept 22 (Reuters) - Australian lithium company Lake Resources NL (LKE.AX) and California-based Lilac Solutions said on Wednesday they are teaming up to jointly develop the Kachi Lithium Brine project in Argentina, sending Lake's shares rocketing more than 20% higher.

Lilac will provide clean technology expertise to develop the lithium brine project in Argentina, home to the world's third-largest reserve of the material that is key to batteries for electric vehicles.

In a joint statement on Wednesday the companies said Lilac is set to invest about $50 million as part of the project's development, which will allow it to take up to a 25% stake in future. The project is expected to produce 25,500 tonnes per annum from 2024 with possible expansion to 50,000 tonnes.

Lithium's price has surged over the past year amid booming demand for batteries that use lithium in a global push towards greener modes of transport.

Lilac's backers include Breakthrough Energy Ventures, whose investors include Bill Gates and Amazon's (AMZN.O) Jeff Bezos. Lilac said the deal allows the firm to prove its technology will provide a high purity product at scale, potentially allowing it to broaden its customer base.

"We want to be in the business of producing lithium," Lilac Chief Executive Officer David Snydacker told Reuters, speaking on the sidelines of the Fastmarkets lithium conference in Las Vegas.

"We want to help people like Lake Resources bring production online and not simply be doing engineering work."
Australia's Lake Resources teams up with clean tech firm Lilac to develop Argentina lithium project | Reuters

The project is currently forecast to cost about $540 million, roughly $300 million of which both Lilac and Lake Resources expect to fund through debt, Snydacker said. Most of the project's electricity needs should come from solar power.

For Lake Resources, the deal will boost its green credentials and provide a funding pathway that, alongside debt from export agencies, means it won't have to sell future supply simply to secure development finance. That will give it more flexibility to choose its customers and terms in future.

Shares in Lake Resources jumped as much as 22.3% before settling up 12.6% at A$0.58.

Lithium extraction from brine, often from large evaporation pools in arid areas, has raised environmental concerns about water use.

But the companies said Lilac's ion-exchange process will allow brine to be returned underground, reducing Kachi's environmental impact.

Reporting by Melanie Burton in Melbourne and Yamini C S in Bengaluru; additional reporting by Ernest Scheyder in Las Vegas; Editing by Krishna Chandra Eluri and Kenneth Maxwell

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