

Lake Resources NL

(LKE \$0.88) Speculative Buy - Initiation of Coverage

EUROZ HARTLEYS

Analyst	Date	Price Target
Trent Barnett	27 th October 2021	\$1.28/sh

DLE developer in Argentina, fid mid next year

Investment case

The Direct Lithium Extraction (DLE) process by LKE uses ion exchange to extract the lithium. Ion exchange is mainstream technology, but it has historically not been used for lithium brines because

- The purity of lithium chemical product has not been required / demanded;
- The assumed long run lithium selling prices has meant the DLE process was uneconomic;

Neither of which is true anymore. Product quality/purity specifications have risen significantly and long run lithium price assumptions have also been rising.

Consensus long run price assumptions are often set to incentivise significant spodumene/spodumene conversion and conventional brines (with their long lead times and commissioning risks). Instead, we see potential that DLE disrupts medium term industry forecasts by bringing large volumes of low-cost, high-quality battery chemicals on shorter time frame. This should still mean lithium prices need to be high, but perhaps not as high as worst quartile brine and spodumene developers require, and it may also mean supply can be added to the market on faster timelines than integrated spodumene/converters or brines. Consequently, monitoring DLE is very important for medium term lithium supply/demand models.

We initiate on LKE given it is an advanced DLE developer. It remains high risk as it moves towards development, but unrisks it has big valuation upside. Lithium investors should also follow closely as an industry leader in DLE.

LKE is developing the Kachi (LKE 100%, selling down to 75%) project in Argentina alongside its partner Lilac (conditional 25%). The project is very advanced, with construction expected to begin mid-CY22. First production is targeted for 2024 (25ktpa). We assume an expansion to 51ktpa. PFS capex estimate is US\$544m and cash costs of US\$4.2k/t (we assume cash costs US\$6k/t in our model).

Based on the Jun 22 options (unpaid capital A\$60m), as long as the shareprice is above the option strike (75cps), it means that, on a 70/30 debt:equity mix, LKE requires only ~A\$50-70m of additional equity to fund construction.

On our estimates, LKE is trading on peak net debt & fully funded EV/EBITDA 8.5x FY25 and 5.4x @ 50ktpa on base case estimate and using spot prices 3.7x FY25 and 1.8x @ 50ktpa. These are attractive for a soon-to-be lithium producer, particularly as an early adopter of new techniques that could allow substantial growth if applied to further brine acquisitions.

We initiate with a Speculative Buy recommendation. Our valuation is \$0.76, assuming LC prices of US\$13k. Our spot price valuation is \$2.92. We note that lithium stocks trade at a premium to our valuations, and so our price target is set at \$1.28/sh.

Lake Resources NL	Year End 30 June	
Share Price	0.88	A\$/sh
Price Target	1.28	A\$/sh
Valuation	0.76	A\$/sh
	npv (12.0%)	

Shares on issue	1368	m, diluted *	
Market Capitalisation	1204	A\$m	
Enterprise Value	1144	A\$m	
Debt (1 Nov 21a)	0	A\$m	
Cash (1 Nov 21e)	60	A\$m	
Largest Shareholder	none		

Production F/Cast	2023F	2024F	2025F
LC	0.0	6.1	24.5

Assumptions	2023F	2024F	2025F
AUDUSD	0.74	0.74	0.74
Spod	700	750	750
LC (Battery)	15000	13000	13000

Key Financials	2023F	2024F	2025F
Revenue (A\$m)	0	93	372
EBITDA (A\$m)	-5	46	200
NPAT (A\$m)	-32	-13	114
Cashflow (A\$m)	-22	-2	106

CFPS (Ac)	-3.7	-0.3	16.9
P/CFPS (x)	-23.6	-276.2	5.2

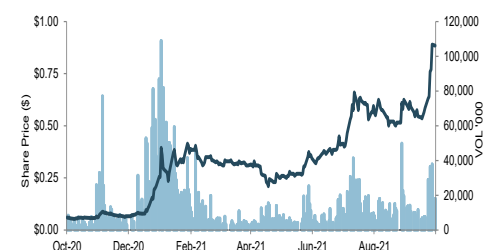
EPS (Ac)	-5	-2	18
EPS growth (%)	nm	nm	0%
PER (x)	nm	nm	4.8

EV:EBITDA (x)	nm	35.3	7.6
EV:EBIT (x)	nm	73.6	9.0

DPS (Ac)	0.0	0.0	0.0
Dividend Yield (%)	0%	0%	0%

ND:Net Debt+Equity (%)	63%	77%	55%
Interest Cover (x)	-	0.6	4.7

Share Price Chart



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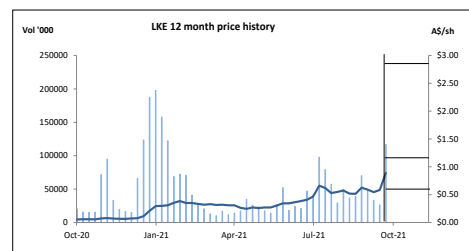
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Key Variables

Val/ Sh	Battery Grade LC									
\$0.76	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%	
AUDUSD	15%	\$0.26	\$0.36	\$0.46	\$0.56	\$0.65	\$0.75	\$0.85	\$0.95	\$1.05
	10%	\$0.28	\$0.38	\$0.48	\$0.58	\$0.69	\$0.79	\$0.89	\$0.99	\$1.10
	5%	\$0.29	\$0.40	\$0.51	\$0.61	\$0.72	\$0.83	\$0.94	\$1.04	\$1.15
	0%	\$0.31	\$0.42	\$0.54	\$0.65	\$0.76	\$0.87	\$0.99	\$1.10	\$1.21
	-5%	\$0.33	\$0.45	\$0.57	\$0.69	\$0.80	\$0.92	\$1.04	\$1.16	\$1.28
	-10%	\$0.35	\$0.48	\$0.60	\$0.73	\$0.85	\$0.98	\$1.10	\$1.23	\$1.35
	-15%	\$0.38	\$0.51	\$0.64	\$0.77	\$0.91	\$1.04	\$1.17	\$1.30	\$1.44

EH Forecast	Dec-21	Dec-22	Dec-23	Dec-24	Dec-25	Dec-26
AUDUSD	0.74	0.74	0.74	0.74	0.74	0.74
Spodumene	\$700	\$700	\$700	\$750	\$750	\$750
LC - Battery	\$15,000	\$15,000	\$15,000	\$13,000	\$13,000	\$13,000

Our Share Price Sensitivity



Our Market Sensitivity

Valuation - \$0.76/sh

Target Price - \$1.28/sh

Bull Scenario - \$2.92/sh

NPV12, spot commodity prices.

Base Scenario - \$1.28/sh

Premium to valuation (NPV12).

Bear Scenario - \$0.70/sh

Discount to valuation, more dilution than expected.

Company Summary

LKE is developing the Kachi brine project in Argentina via a DLE process.

Disclaimer

The projections and information above is based on the set assumptions outlined. Due care and attention has been used in the preparation of this information. However actual results may vary from forecasts and any variation may be materially positive or negative. Forecasts by their very nature, are subject to uncertainty and contingencies, many of which are outside the control of Euroz Hartleys.

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Market Statistics		Year End 30 June				
Share Price	\$0.88	Directors				
Market Cap - ordinary	A\$1065m	Stuart Crow	NE	Chair		
Net Cash	\$60m	Stephen Promnitz	CEO			
Market Cap - fully dil	A\$1204m	Nick Lindsay	ED			
Issued Capital	1210.0m	Robert Trzebski	NE			
Options	158.2	Amalia Saenz	NE			
Issued Capital (diluted for options)	1368.2m	Shareholders	none			
Asset Valuation		A\$m	A\$/sh			
Kachi	888	0.61				
Cauchari/Other Assets/Exploration	266	0.18				
Forwards	0	0.00				
Corporate Overheads	-18	-0.01				
Net Cash (Debt)	60	0.04				
Investments	0	0.00				
Tax (NPV future liability)	-174	-0.12				
Options & Other Equity	81	0.06				
Total	1103	0.76				
Spot USD/AUD 0.75 LC \$26,000/t		2.92				
F/Cast Production (A\$m) 2022f 2023f 2024f 2025f 2026f						
AUDUSD	0.74	0.74	0.74	0.74	0.74	
LC / LiOH	17,000	15,000	15,000	15,000	13,000	
Spodumene - Battery	825	700	700	700	750	
Ratio Analysis (A\$m) 2022f 2023f 2024f 2025f 2026f						
CF (A\$m)	-4.6	-21.9	-1.9	106.0	110.4	
CF / Sh (Ac/sh)	-0.9	-3.7	-0.3	16.9	17.0	
CF Ratio (x)	(94)	(24)	(276)	5	5	
Earnings (A\$m)	129	(32)	(13)	114	74	
EPS (Ac/sh)	26.3	(5.5)	(2.2)	18.2	11.4	
EPS Growth (%)	nm	nm	nm			
Earnings Ratio (x)	3	nm	nm	5	8	
E'prise Val. (A\$m) full funded 1,067	1,446	1,640	1,527	1,433		
EV : EBITDA (x)	nm	nm	35	8	9	
EV : EBIT (x)	nm	nm	74	9	12	
Net Debt / ND+Eq (%)	nm	63%	77%	55%	40%	
Interest Cover (x)	-	-	0.6	4.7	3.4	
EBIT Margin (%)	nm	nm	24%	46%	38%	
ROE (%)	124%	nm	nm	59%	25%	
ROA (%)	122%	nm	nm	17%	9%	
Div. (Ac/sh)	-	-	-	-	-	
Div. payout ratio (x)	-	-	-	-	-	
Div. Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	
Div. Franking (%)	100%	100%	100%	100%	100%	
Profit and Loss (A\$m) 2022f 2023f 2024f 2025f 2026f						
Net Revenue	0.0	0.0	93.1	372.2	322.6	
Gross Profit	0.0	0.0	51.3	205.1	158.0	
Total Costs	-4.3	-4.6	-46.6	-172.1	-169.9	
EBITDA	-4.3	-4.6	46.5	200.1	152.7	
- margin	-	-	50%	54%	47%	
Depreciation/Amort	-1.2	-10.2	-24.2	-29.7	-30.4	
EBIT	-5.6	-14.8	22.3	170.4	122.3	
Net Interest	0.4	-17.3	-35.8	-36.0	-35.5	
Pre-Tax Profit	-5.2	-32.1	-13.5	134.5	86.8	
Tax Expense	0.0	0.0	0.0	-20.2	-13.0	
Normalised NPAT	128.8	-32.1	-13.5	114.3	73.8	
Abnormal Items	-134.0	0.0	0.0	0.0	0.0	
Reported Profit	-5.2	-32.1	-13.5	114.3	73.8	
Minority	0.0	0.0	0.0	0.0	0.0	
Profit Attrib	-5.2	-32.1	-13.5	114.3	73.8	
Cash Flow (A\$m) 2022f 2023f 2024f 2025f 2026f						
Operating Cashflow	-5.0	-4.6	33.8	162.1	158.9	
Income Tax Paid	0.0	0.0	0.0	-20.2	-13.0	
Interest & Other	0.4	-17.3	-35.8	-36.0	-35.5	
Operating Activities	-4.6	-21.9	-1.9	106.0	110.4	
Property, Plant & Equip.	-3.3	-367.9	-191.6	-15.3	-15.3	
Exploration and Devel.	-0.4	-0.4	-0.4	-0.4	-0.4	
Other	0.0	0.0	0.0	0.0	0.0	
Investment Activities	-3.7	-368.3	-192.0	-15.7	-15.7	
Borrowings	0.0	453.8	0.0	0.0	0.0	
Equity or "tbc capital"	120.0	11.1	0.0	22.0	0.0	
Dividends Paid	0.0	0.0	0.0	0.0	0.0	
Financing Activities	120.0	464.9	0.0	22.0	0.0	
Net Cashflow	111.7	74.7	-193.9	112.4	94.7	
Balance Sheet (A\$m) 2022f 2023f 2024f 2025f 2026f						
Cash	137.4	212.0	18.1	130.5	225.2	
Other Current Assets	2.4	2.5	26.6	98.9	92.1	
Total Current Assets	139.8	214.5	44.7	229.3	317.2	
Property, Plant & Equip.	2.2	359.8	527.2	512.8	497.7	
Exploration	21.2	21.6	22.0	22.4	22.8	
Investments/other	0.0	0.0	0.0	0.0	0.0	
Tot Non-Curr. Assets	23.3	381.4	549.2	535.2	520.5	
Total Assets	163.1	595.9	593.9	764.5	837.7	
Short Term Borrowings	-	-	-	-	-	
Other	1.4	1.5	12.9	47.2	46.6	
Total Curr. Liabilities	1.4	1.5	12.9	47.2	46.6	
Long Term Borrowings	-	453.8	453.8	453.8	453.8	
Other	0.0	0.0	0.0	0.0	0.0	
Total Non-Curr. Liabil.	0.0	453.8	453.8	453.8	453.8	
Total Liabilities	1.4	455.3	466.7	501.0	500.4	
Net Assets	161.7	140.7	127.2	263.5	337.3	
Net Debt (net cash)	-137.4	241.7	435.6	323.3	228.6	
- including AASB16	-137.4	241.7	435.6	323.3	228.6	
Reserves and Resources						
	Cub. m.	mg/l	LC Mt			
Kachi - resource	3.8	211	4.4			
Kachi - reserve	nm	nm	nm			
Cauchari - resource	nm	nm	nm			
Cauchari - reserve	nm	nm	nm			

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Catalysts

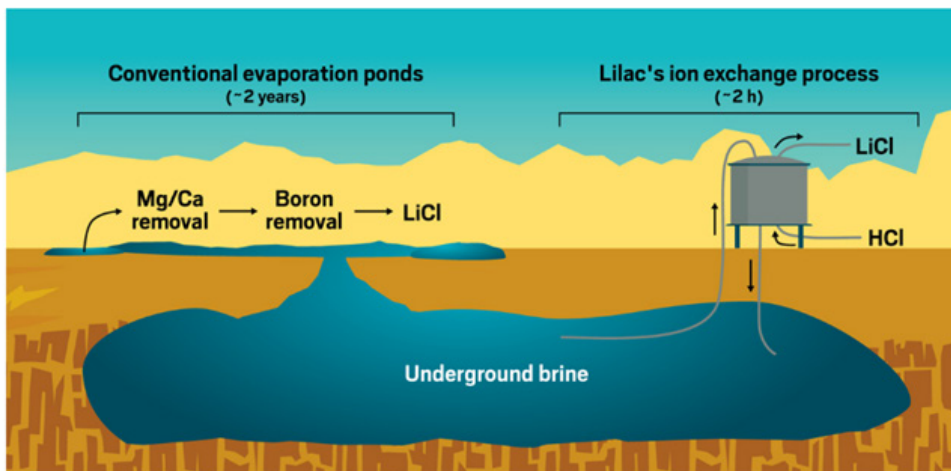
- Demo plant - Mar Qtr 2022
- DFS - Jun Qtr 2022
- Offtake partners - Jun Qtr 2022
- Fid & financing - Jun Qtr 2022
- Construction - 2H CY22
- First production - 2023

KACHI

The Kachi project is a large low grade brine in Argentina. LKE has partnered with Lilac though to process the brine via DLE (direct lithium extraction). This is an ion exchange process using beads developed by Lilac to extract the lithium. Ion exchange is a traditional process for low grade mineral extraction, but is not traditionally use in lithium given purity has not previously being required (when lithium was being used as a lubricant, rather than batteries) and the selling price of lithium couldn't justify the higher operating costs.

Now though, with significant shortages expected in lithium supply, we expect to see a lot more DLE used in lithium brine extraction. LKE is one of the early adopters, and hence our interest.

Comparison between conventional brine and DLE



Credit: Adapted from Lilac Solutions/Yang H. Ku/C&EN/Shutterstock

Most lithium is recovered by sucking lithium-rich brines out of the ground and into large ponds that are left to evaporate for months or even years to concentrate the lithium (left). Instead, Lilac Solutions taps directly into the underground brine, running it over its ion exchange material to concentrate the lithium in real time (right).

Source: Lilac

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DLE extraction

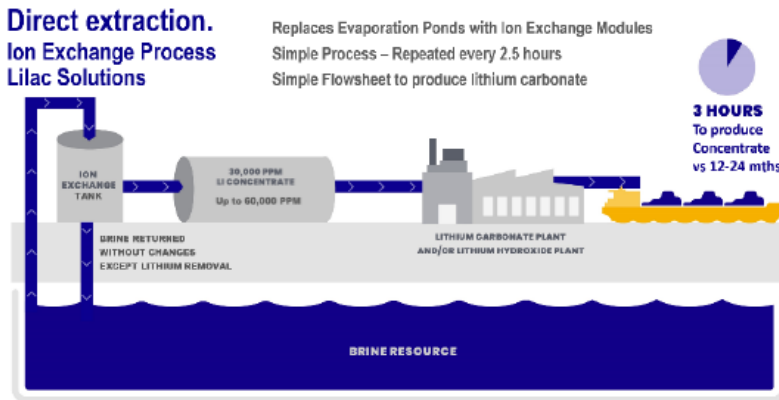


Figure 1: Lilac Solutions direct extraction concept using direct lithium extraction.

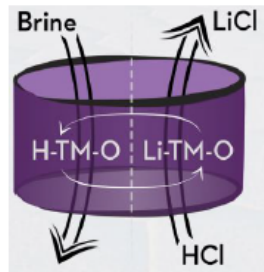


Figure 2: Lilac Solutions direct extraction concept at the individual module scale

Source: Lilac

LILAC INVESTMENT

Lilac will earn a 25% interest in the Kachi project conditional upon...

1. Completion of test work (earn 10%);
2. Satisfactory demonstration plant with all product at high quality (earn 10%);
3. Certain offtake partners agree that the products will meet their highest battery qualification standards (earn 5%);

Lilac has committed to contribute its US\$50m of equity to the project once it has earned its 25% share. LKE receives no cash from the sell-down to Lilac, but is free carried on the testwork completed by Lilac (we estimate circa US\$20m).

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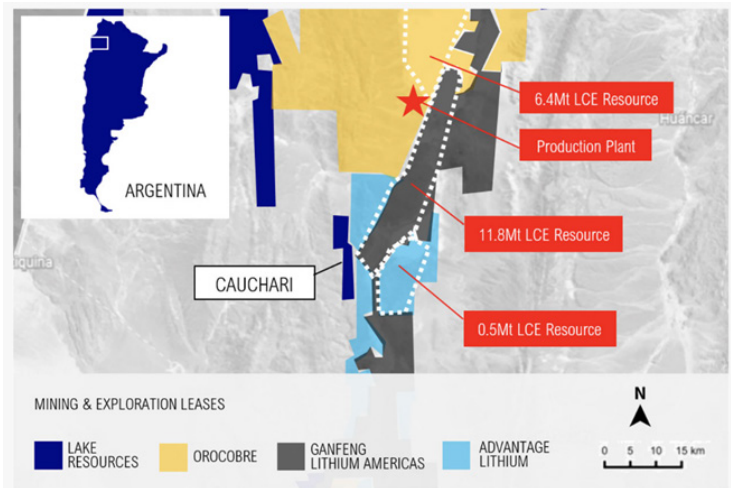
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OTHER PROJECTS

Cauchari (100%)

The Cauchari project is potentially LKE's second development. There is no resource but drilling has confirmed good grade lithium brines. In August 2019, Lake announced final results from drilling confirming a significant high-grade lithium discovery at Cauchari, with the higher grades averaging 493 mg/L lithium over 343m, with the highest results of 540 mg/L lithium.



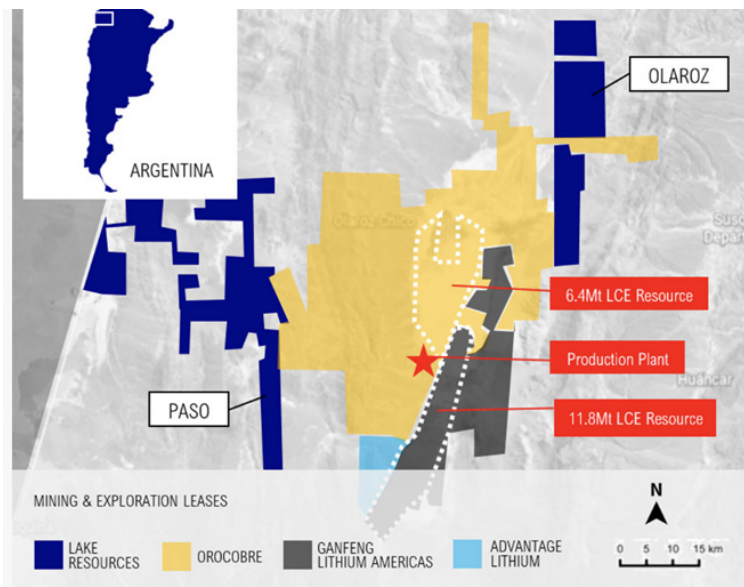
Source: LKE. Advantage Lithium is now ORE.asx

Olaroz & Paso (100%)

The Olaroz and Paso projects are very close to ORE's production. LKE is yet to drill either project.

Catamarca (100%)

Catamarca is exploration ground for spodumene in Argentina. There are outcropping pegmatites and visual spodumene but the pegmatites are yet to be drilled.



Source: LKE

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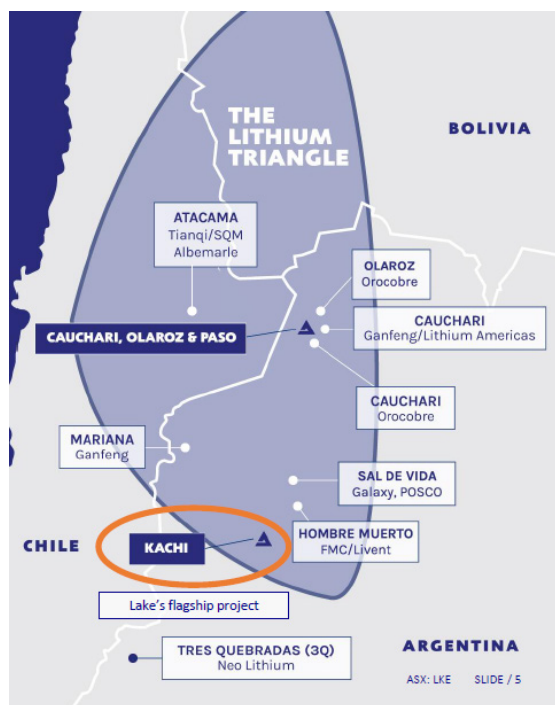
INDUSTRY EXPOSURE

LKE will produce lithium chloride, which can be processed into either battery grade lithium hydroxide or lithium carbonate. Consequently, it is heavily reliant on the growth in lithium batteries, predominantly for EVs but also stationary storage.

GEOGRAPHIC EXPOSURE

The Kachi project is located in Argentina.

Project Location



Source: LKE

PEERS AND COMPETITORS

There is a long list of lithium producers. In the DLE space, comparisons are much smaller. Albemarle has said it will use DLE in the future for its lower grade brines. VUL.asx is planning to use DLE in Europe. Standard Lithium (SLI.nyse) is the closest listed peer, in our view.

KEY SUPPLIERS & CUSTOMERS

Lilac Solutions is a US based company that has the proprietary DLE technology to be used by LKE. Lilac has developed an ion exchange material that can withstand the hydrochloric acid used to strip the accumulated lithium from the ion exchange beads.

<https://www.lilacsolutions.com/technology.html>

<https://cen.acs.org/business/start-ups/CENs-2020-10-Start-Ups-to-Watch/98/i44>

Offtake partners have yet to be signed, but we assume are reasonably close given fid expect in CY22.

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Management, Directors and Major Shareholders

Economic Exposure of Board and key management				Total	
Position		Total Options & performance rights	Shares #	Economic Exposure millions	rank
Directors					
Stuart Crow	Non-Exec. Chairman	5,000,000	13,387,167	18,387,167	1
Stephen Promnitz	MD	2,500,000	12,406,150	14,906,150	2
Nick Lindsay	Exec	2,500,000	6,500,000	9,000,000	3
Robert Trzebski	Non-Exec		0	0	4
Amalia Saenz	Non-Exec	0	0	0	4

Source: LKE

STUART CROW - CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Stuart has global experience in financial services, corporate finance, investor relations, international markets, salary packaging and stock broking.

Stuart is passionate about assisting emerging listed companies to attract investors and capital and has owned and operated his own businesses.

STEPHEN PROMNITZ - MANAGING DIRECTOR

Steve has led Lake since 2016, bringing natural resources and energy experience with a focus on South America and South-East Asia.

Previously he was CEO of small/mid-tier companies or senior manager with global resource companies (Rio Tinto, WMC) together with holding senior corporate finance roles with Westpac and Citigroup.

He has a Bachelor of Science Honours (Natural Resources) from Monash University and is fluent in Spanish.

NICK LINDSAY - EXECUTIVE TECHNICAL DIRECTOR

Dr Lindsay has over 25 years' experience in Argentina, Chile and Peru in technical and commercial roles in the resources sector with major and mid-tier companies, as well as start-ups. A fluent Spanish speaker, he has successfully taken companies in South America, such as Laguna Resources which he led as Managing Director, from inception to listing, development and subsequent acquisition.

He is currently CEO of Manuka Resources Ltd, an unlisted company, having previously held the position of President - Chilean Operations for Kingsgate Consolidated Ltd.

Nick is a member of the AusIMM and the AIG and holds a Bachelor of Science (Honours) in Geology, a PhD in Metallurgy and Materials Engineering as well as an MBA.

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ROBERT TRZEBSKI - NON-EXECUTIVE DIRECTOR

Dr Trzebski was appointed a Non-Executive Director on 10 December 2019. An international mining executive, he has substantial operational, commercial and technical experience in global mining markets including Argentina.

He is currently Chief Operating Officer of Austmine Ltd and holds a degree in Geology, a PhD in Geophysics, a Masters in Project Management and has more than 30 years' professional experience in project management and mining services.

Dr Trzebski is a fellow of the Australian Institute of Mining and Metallurgy and is fluent in Spanish, German and English.

AMALIA SÁENZ - NON-EXECUTIVE DIRECTOR

Sra. Amalia Sáenz was appointed a Non-Executive Director on 28 July 2021. An experienced energy and natural resources lawyer based in Buenos Aires, Sra. Sáenz is assisting Lake and its local team in Argentina in engaging with local stakeholders and preparing for the development of clean lithium in Argentina.

Sra. Sáenz is a partner at the law firm, Zang, Bergel & Viñes in Buenos Aires, where she leads the firm's energy and natural resources practice.

A leading member of the Association of International Petroleum Negotiators, Sra. Sáenz has extensive experience in energy and resources, including merger and acquisition, financing, joint venture and operating agreements in Argentina. She has also worked in Central Asia and the United Kingdom, gaining experience in exploration and production development across international borders and cultures

PETER NEILSEN - CFO/JOINT COMPANY SECRETARY

Peter is a chartered accountant with more than 20 years' experience in all facets of financial management, asset management and leadership.

He has served in a range of positions including as CFO, company secretary, finance manager and other senior executive positions for a number of listed and unlisted companies in the energy and natural resources sector. These have included Barrick, Xstrata and Round Oak.

He has been involved in reducing operation expenses up to \$100M through cost analysis, performance improvements and contract negotiations, acquisitions of up to \$80M and managed revenues in excess of \$5Bn.

MAJOR SHAREHOLDERS

There are no substantial shareholders.

OPTIONS, CONVERTIBLES AND UNPAID CAPITAL

There is a significant number of options/performance shares outstanding. The most important are the 80m at a 75cps strike that expire in June 2022. If these are in the money at the time of expiration it helps to reduce the new equity requirement to fund capex. We assume the options will be in the money in our model.

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FINANCIALS

Capex requirements

Capital Cost area	US\$M
Direct Costs:	399
Wellfield	25
Processing	161
Site infrastructure	18
Site works (construction)	195
Indirect Costs:	145
EPCM	54
Owner's costs	Excluded
Contingency	91
Total	544

Source: LKE PFS.

Free cash flow

We expect LKE will be free cash flow negative until FY25.

Dividends

We don't expect dividends in the foreseeable future.

FX exposure

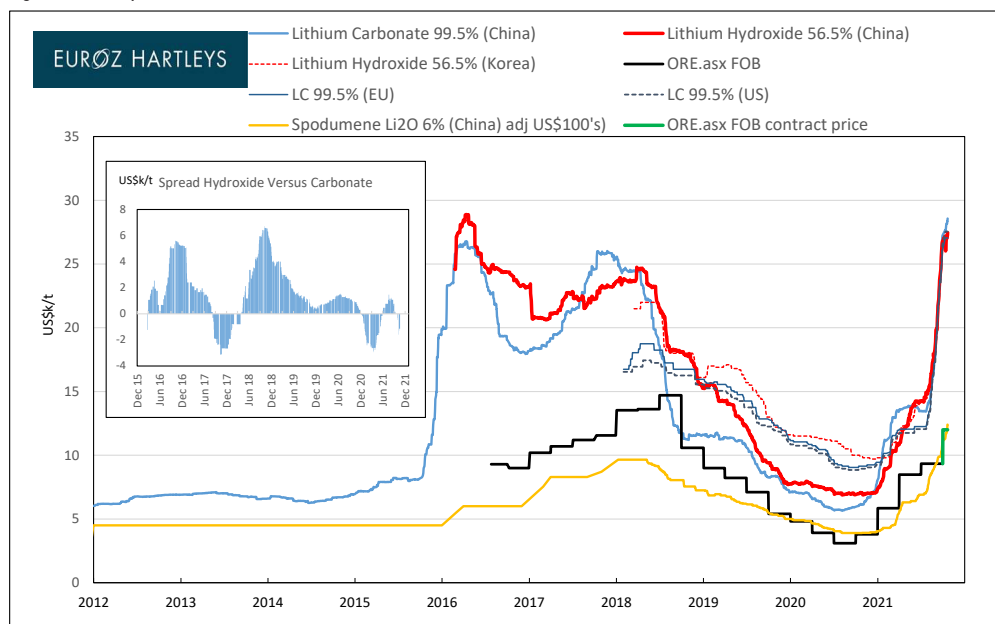
Selling prices will be in USD. Local costs will be in Argentinian peso.

Interest Rate exposure

The interest rate exposure will be high given the significant debt financing.

Commodity price exposure

LKE is exposed to the battery grade lithium carbonate & lithium hydroxide prices



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Lake Resources NL

(LKE \$0.88) Speculative Buy - Initiation of Coverage

VALUATION

We assume 70% of the capex can be debt financed. LKE already has agreements with the UK and Canada export finance banks (we assumed export bank finance in ore of US\$250m). We expect commercial banks to provide financing in the order of US\$135m.

We estimate that the LKE equity contribution is US\$150m to fund its 75% of Kachi. Normally this could be a large hurdle, but the Company has issued out of the money options to help. Hence, the combination of current cash (-\$60m) and assumed June 2022 tranche of options (75cent strike), we estimate LKE may only require an additional A\$50-70m of new equity (US\$44m), which in the current market should be easily achievable.

Our cost estimates are substantially higher than the PFS estimate. We assume total cash costs of -US\$6k/t LC. The PFS estimate was US\$4.2k/t. We prefer to err of the far too high side given the risk around new technology and brines, in general. The performance of the demo plant is likely to lead us to lower our cost estimate, which would have a substantial impact on our valuation.

Our model assumes expansion to 51ktpa. We are perhaps conservative on discount rate (12%) for a lithium stock in the current market, but given the country risk we believe it is appropriate at this point. Our pricing assumptions well below spot prices and our costs are above the PFS estimates. Our valuation is 76cps, but our spot valuation is \$2.92. We note that many lithium stocks are trading at premiums to our valuation, and we expect LKE to trade at a premium as well. As we de-risk our valuation (discount rate and cash cost expectations), we see potential for meaningful increases to our base valuation.

Valuation	\$m	\$/LKE
Kachi	888	0.61
Cauchari/Other Assets/Exploration	266	0.18
Forwards	0	0.00
Corporate Overheads	-18	-0.01
Net Cash (Debt)	60	0.04
Investments	0	0.00
Tax (NPV future liability)	-174	-0.12
Options & Other Equity	81	0.06
Total	1103	0.76
Spot USD/AUD 0.75 LC \$26,000/t		2.92

Source: Euroz Hartleys

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Capex financing

	US\$m	Running Total
Capex (PFS), 100%	-544	
contingency	-40	-584
Exim Financing	250	-334
Commercial financing	135	-199
Equity Required (100%)	199	
Lilac (25%)	-50	149
LKE equity (75%)	149	
- current cash	-45	104
- options (75cps)	-60	44
LKE equity shortfall	44	

Source: Euroz Hartleys

	Units	PFS	Euroz Hartleys	Euroz Hartleys versus PFS
Production Rate - Lithium Carbonate	tonnes LCE per year	26	24	-4.0%
Mineral Resource (Indicated)	Million tonne LCE	1.01	1.15	13.8%
Lithium Grade to Direct Extraction Plant	Mg/L	250	250	0.0%
Recovery	%	83%	80%	-3.8%
Sale price assumptions - Li2CO3	US\$/Tonne	15,500	13,000	-16.1%
Capital Investment (at start-up)	US\$ million	540	544	0.7%
Operating Cost (annual)	US\$ million	107	167	55.6%
Cash Cost (Opex, C1)	US\$/tonne LCE	4,178	5,983	43.2%
Total Cash Costs	US\$/tonne LCE	5,608	6,846	22.1%
Sales, annual	US\$ million	400	318	-20.4%
EBITDA, annual	US\$ million	257	151	-41.4%

PRICE TARGET

Our price target is based on weighted scenarios, including spot valuation.

Price Target Methodology	Weighting	Spot	12 mth out
NPV base case	35%	\$0.76	\$0.85
1.5x NAV	45%	\$1.14	\$1.28
NPV at spot commodity and fx prices	10%	\$2.92	\$3.28
NPV base case all assets NPV8	5%	\$1.33	\$1.44
Cash Backing	5%	\$0.04	\$0.00
Risk weighted composite		\$1.14	
12 Months Price Target		\$1.28	
Shareprice - Last		\$0.880	
12 mth total return (% to 12mth target + dividend)		44.9%	

Source: Euroz Hartleys Estimate

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RISKS

The key risks for LKE (like most mine companies in development) is obtaining the necessary funding to complete the project. Other risks are earnings disappointments given the industry is volatile and earnings can disappoint due to cost overruns, project delays, cost inflation, environmental regulations, plant and mine design mistakes or lower production. Although some earnings disappointments can be short term and are only a timing issue, other disappointments can be materially value destructive and can sometimes overhang stocks for a long period of time (for example metallurgy problems). Such disappointments can be very difficult to predict and share price reactions can be severe and immediate upon disclosure by the company. High financial leverage (if it exists at that time) would add to the problem.

SIMPLE S.W.O.T. TABLE

Strengths	<ul style="list-style-type: none"> Almost fully financed Low cost Speed to first production Premium quality products Low environmental footprint Uncontracted lithium supply
Weaknesses	<ul style="list-style-type: none"> DLE is new technology for lithium Project located in Argentina
Opportunities	<ul style="list-style-type: none"> Expansions Acquisitions
Threats	<ul style="list-style-type: none"> Sovereign risk Commodity prices Technology risk

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