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(ASX: LKE)

Price	AUD0.84
52 Week Range	(AUD0.06 - AUD1.19)
Price Target	AUD1.30
Market Cap (mil)	AUD1,025.72
Exchange rate	1US\$ = 1.40 AUD
Shares out (mil)	1,221.09
3-Mo Avg Vol	11,081,261

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

A Major Lithium Producer in the Making; Targeting Production Growth Beyond Kachi

On December 16, 2021, Lake Resources announced plans to initiate an exploration program focused at its portfolio of lithium assets outside of the flagship Kachi project. While we expect 2022 to feature major steps forward with respect to the development of Kachi, the company expects to undertake an exploration program at Oloraz, Cauchari, and Paso projects. By doing this, we believe Lake is setting the stage for additional projects to come online after Kachi. Additionally, we believe recent exploration results at Kachi should support an increase in production to ~50,000 tpa, which we expect to be considered in the ongoing Feasibility Study. Given this, we believe significant growth is on the horizon for Lake and believe the company is well positioned to become a primary source of ESG-friendly supply. As such, we are reiterating our Buy rating and A\$1.30 price target.

- Portfolio assets coming into focus.** Lake expects to undertake a 10-hole drilling program aimed at testing brines from the Oloraz, Cauchari, and Paso projects, which total over 47,000 hectares. We expect the program to begin in early 2022 with brines tested using environmentally-friendly DLE methods—similar to those utilized at Kachi. Following this, we expect Lake to move forward with scoping studies in an effort to evaluate potential production scenarios at the projects, which we view as key to supporting the company's longer-term growth ambitions. We note that our existing valuation is based solely on Kachi without ascribing any value to Lake's three other lithium assets. Given this, we believe significant upside to our valuation exists should Lake have success in positioning additional assets in its portfolio to come on line after Kachi. Further, we believe management is positioning the company to become a top independent global producer of lithium through the development of its own assets and are supporters of the company's decision to de-risk its development pipeline in tandem with the development of Kachi.
- Recent exploration results support doubling throughput at Kachi, in our view.** In addition to the potential longer-term production growth from Oloraz, Cauchari, and Paso, we expect the upcoming Feasibility Study to feature an expansion to 50,000 tpa from 25,500 tpa. We note that just ~20% of the total resource at Kachi is utilized in the 25,500 tpa scenario. Importantly, drilling is underway aimed at upgrading Inferred resources in order to double throughput to 50,000 tpa. Although initial results are positive and we believe an expansion to 50,000 tpa is likely, further drilling is required in 2022 to confirm this expectation. In an effort to remain conservative, we continue to base our valuation on the 25,500 tpa scenario at Kachi, but expect to revisit this assumption once additional details are provided in 1H22. From a development timeline standpoint, we believe permitting and financing could be in place during 2H22 with construction commencing by the end of next year.
- We are reiterating our Buy rating and A\$1.30 price target.** Our unchanged 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 50,000 tpa or any value for the company's portfolio of lithium assets outside of Kachi. Given this, we believe the potential to unlock additional value beyond our existing valuation remains and expect 1H22 to serve as a pivotal period for Lake as the company advances down the road to major lithium producer status. In short, we believe the building blocks are in place for Lake to organically grow into a major lithium producer by de-risking and developing its pipeline anchored by Kachi.

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

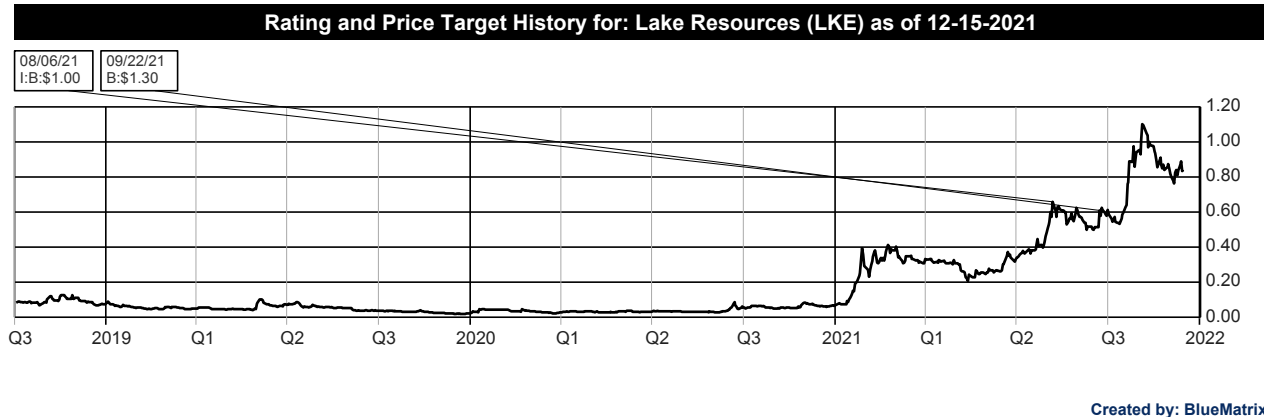
000s A\$	2020A	1H21A	2H21E	2021E	1H22E	2H22E	2022E
Revenue	-	-	-	-	-	-	-
Operating expenses	(4,393)	(1,484)	(1,666)	(3,150)	(2,426)	(3,126)	(5,551)
Operating income	(4,393)	(1,484)	(1,666)	(3,150)	(2,426)	(3,126)	(5,551)
Other expenses	(466)	(28)	(150)	(178)	(150)	(150)	(300)
Pretax income	(4,859)	(1,512)	(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



Distribution of Ratings/IB Services

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [BUY]	109	84.50	28	25.69
HOLD [NEUTRAL]	16	12.40	1	6.25
SELL [SELL]	0	0.00	0	0
NOT RATED [NR]	4	3.10	1	25.00
UNDER REVIEW [UR]	0	0.00	0	0

Disclosures

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Sources referenced in this report: The information and statistics in this report have been obtained from sources we believe are reliable but we do not warrant their accuracy or completeness.

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

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- The report discloses all material conflicts of interest related to the analyst, the member firm, and the subject company that are known at the time of publishing this report.

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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