Update Report
Lake Resources (ASX:LKE)
Lithium price adjustment

LKE Price: $0.90 | LKE Valuation: $1.77 | Implied Return: 97% | 19/11/2021

Company
Lake Resources (LKE) owns 2,200km² of leases in the lithium triangle in Argentina. LKE aims to use a cost competitive, efficient ion-exchange direct lithium extraction technology to produce high margin, high purity (99.97%) lithium to be sold to battery makers. Testing in nickel rich NCM662 batteries by Novonix Limited (ASX: NVX, OTCQX:NVNXF) showed LKE’s product yielded similar voltage profiles, improved capacity retention and better electrochemical behavior compared to commercially available products from tier 1 producers.

Business Update
Since our September update the spot price of lithium has rallied approximately 50%, as automakers and battery manufacturers scramble to secure supply as the growth of EV’s continues unabated. The price is currently sitting at 197,500 yuan per tonne, which equals $US31,000/t. There are indications the lithium sector will move into deficit from next year and potentially chronic deficit from 2023. This bodes well for LKE which could look to start production from its Lake Kachi lithium tenement in 2024.

Upcoming expected milestones from LKE:

- Definitive Feasibility Study (DFS) and Social Impact Assessment (ESIA) covering the Kachi project are well advanced and should be completed in Q2, 2022.
- Expansion study to increase production to 51,000tpa is expected at the same time as the DFS.
- Final Investment Decision on construction finance expected mid-2022.
- An offtake deal is possible post the DFS and Expansion Study.
- Commissioning and production potentially in 2024.
- A demonstration plant is scheduled to be onsite by Q1 2022 and will produce sample sizes of 50kg to 500kg for prospective offtake partners.

LKE is currently undertaking a 4 well 1,600m drilling program to upgrade and expand the current 4.4mt LCE indicated and inferred resources and will set the basis for the proposed production expansion. We expect results at the beginning of the new year. LKE currently has $63m cash on hand and has potentially another $64m coming in through the exercising of 86.1m options at 75 cents which expire 15 June 2022.

Valuation
We have increased our valuation on LKE from $1.05 to $1.77. In our previous valuation we used a lithium price of US$15,000/t, however we feel it would be prudent to increase our lithium price input considering recent activity in the spot price. When it comes down to it there is a very real possibility LKE will sign offtake contracts at more than US$20,000/t, hence our upgraded lithium price is still conservative.

Company Data
Recommendation: BUY
Price (Date 19-11): $0.90
ASX Code: LKE
Shares on Issue: 1.214bn
Market capitalization: $1.09bn
Enterprise Value: $1.027bn
12-month price range: $0.06-$1.19

Board Structure
Stephen Promnitz: Managing Director
Stuart Crow: Non-Exec Chairman
Dr. Nicholas Lindsay: Executive Director
Dr. Robert Trzebski: Non-Exec Director
Amalia Saenz: Non-Exec Director

Major Shareholders
Citicorp Nominees: 8.61%
Merrill Lynch Nominees: 4.58%
Acuity Capital Investment: 3.67%
Total Top 20: 36.06%

12-month Chart

Source: Iress
Valuation parameters

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lithium mined tonnes p.a.</td>
<td>50,808</td>
</tr>
<tr>
<td>Average grade (mg/L)</td>
<td>250</td>
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<tr>
<td>Capex ($USm)</td>
<td>870.4</td>
</tr>
<tr>
<td>Lithium Price ($US/t)</td>
<td>18,000</td>
</tr>
<tr>
<td>Recovery rate</td>
<td>83%</td>
</tr>
<tr>
<td>USD/AUD</td>
<td>0.75</td>
</tr>
<tr>
<td>Discount rate</td>
<td>8%</td>
</tr>
<tr>
<td>Value per share</td>
<td>$1.77</td>
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</tbody>
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Lake Resources (ASX:LKE)

Lithium price upgrade

Mining scenario

The valuation is most sensitive to lithium spot price movements. Each US$1,000/t movement gives a +20% variation to our valuation. In our sensitivity study, a price range of US$16,000/t to US$12,000/t sees the valuation range from $1.25 to $2.28.
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