

Lake Resources NL (ASX:LKE)

Corporate Update

April 11, 2022

**Ford Motor Company Signs Non-binding MOU For LCE Off-take**

**Impact: Very Positive**

Lake Resources signed a non-binding Memorandum of Understanding (MOU) with Ford Motor Company (NYSE:F, Not Rated) for an offtake of 25ktpa LCE from its flagship, Kachi Li brine project in Argentina. In conjunction with the recent off-take and strategic collaboration with Hanwa of Japan, Lake has now covered the sale of 100% of its proposed production from Kachi. **We view this potential offtake agreement for the other half of Kachi's planned production very positively, as it even further de-risks the project, and this time the deal associates Lake Resources with Ford, one of the world's most recognizable brands. With offtake negotiations in progress with both Ford and Hanwa, debt funding in place for 70% of Capex, pilot plant construction underway and a recent increase to 50ktpa LCE in planned production, we expect the upcoming DFS to demonstrate stellar economics for Kachi.** We also see room for further valuation improvement. Beyond these attributes, we signal that there is considerable potential for us to improve our forecasts as we continue to use US\$15k/t for our LCE price assumption. Given that demand for LCE is pending, some similar brine producers are selling LCE at US\$35k/t, global averages are in the high US\$60k/t range and Chinese prices approach US\$80k/t, we see potential to increase revenue by multiples of current forecasts. We await further economic studies to help further define costs.

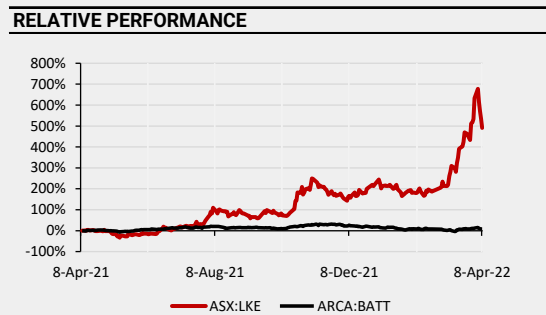
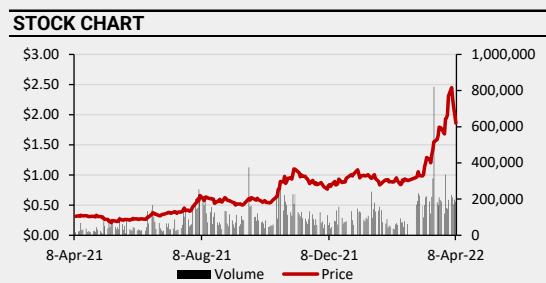
**Terms likely to mimic Hanwa deal.** The announcement with Ford was vague, but we anticipate it to be like the recent Hanwa deal. Management indicates that it should formalize this deal quickly and provide further updates in coming weeks. Irrespective of terms, having Ford commit to an announcement of a non-binding MOU shows serious intent, and Ford also shares LKE's commitment to ESG and sustainable Li production. We suspect further collaboration down the road.

**Suspected terms of the 25ktpa LCE potential Ford off-take.** The Hanwa is subject to 15ktpa in minimum deliveries over 10 years with an option for another ten. LCE would be priced at an average rate of several price points looking back one quarter. Timing of a final deal was not provided. Unlike the Hanwa off-take that likely will then be sold to 3<sup>rd</sup> parties, we expect lithium deliveries due to Ford would remain within its own supply chain.

**We maintain our BUY rating and increase our target price to A\$3.15/sh (was A\$2.20).** Our target price is derived using a DCF to which we now apply a higher 1.0x multiple (was 0.7x), to account for additional de-risking. Lake Resources is seeing a re-rating as it financially de-risks Kachi through arranging both 70% of its required debt, and off-take for 100% of its expanded 50,000 tpa LCE capacity. It does not hurt to be associated with one of the world's largest car companies either. The DFS and further pilot plant resting at Kachi should continue to re-rate Lake ASX:LKE. **Upcoming catalysts:** 1) Finalize Hanwa (Apr/22) and Ford offtakes (H1/22), 2) Demo plant (Q2/22), 3) Resource update, DFS and ESIA (Q2/22), 4) Arrange financial project financing, 5) Assays from brine projects (H2/22), 6) Construction decision (H2/22), and 7) H2/24 production.

(Currency is A\$ unless noted otherwise)

Closing Price (A\$/sh)	\$1.86	
Rating	BUY	
Target (\$/sh)	\$3.15	
Return to Target	69%	
52 Week Low / High	\$0.21 / \$2.65	
<b>CAPITALIZATION</b>	<b>Basic</b>	<b>Diluted</b>
Shares Outstanding (M)	1,227.0	1,365.0
Market Capitalization (\$MM)	\$2,282.2	
Enterprise Value (\$MM)	\$2,212.2	
Cash and Cash Equivalents (\$MM)	\$70.0	
Total Debt (\$MM)	\$0.0	
<b>FYE: JUN 30</b>	<b>2021A</b>	<b>2022E</b>
LCE produced (t)	0	0
Total cash costs (US\$/t)	0	0
EPS (A\$/sh)	0.00	0.00
CFPS (A\$/sh)	0.00	0.00



RELATIVE VALUATION	C\$ EV/t LCE	P/NAV
Lake Resources NL	\$471.9	0.56x
Peers*	\$143.9	0.62x

\*S&P Capital IQ

**MAJOR SHAREHOLDERS**  
Management (9.04%), Acuity Capital Investment Management (3.26%), Sydney Business Advisers Pty Ltd (1.21%), Fidelity International Ltd (1.19%)

**DISCLOSURE CODE:** 3,4  
(Please refer to the disclosures listed on the back page)  
Source: RCS, Company Information, S&P Capital IQ

**Company Description**  
Lake Resources NL is a clean lithium developer utilising clean, direct extraction technology for the development of sustainable, high purity lithium from its flagship Kachi project, as well as three other lithium brine projects in Argentina. The projects are located in a prime location within the Lithium Triangle, where 40% of the world's lithium is produced at the lowest cost. The Kachi project covers 70,000 ha over a salt lake, just south of Livent Corp.'s lithium operation in Argentina, and hosts a large indicated and inferred resource estimate of 4.4Mt LCE.

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Disclosure Statement

Updated April 10, 2022

Recommendation / Target Change			Red Cloud Securities has this percentage of its universe assigned as the following:	
Date	Rating	Target	Status	%
2021-07-15	NA	NA	BUY	74%
2021-08-12	NA	NA	BUY (S)	22%
2021-09-23	NA	NA	HOLD	0%
2021-09-29	NA	NA	SELL / Tender	0%
2021-10-12	BUY	1.25	NA	2%
2021-10-13	BUY	1.25	Under Review	1%
2021-10-21	BUY	1.25		
2021-12-16	BUY	1.25		
2021-12-17	BUY	1.25		
2022-01-19	BUY	2.20		
2022-03-03	BUY	2.20		
2022-03-30	BUY	2.20		

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Company Name	Ticker Symbol	Disclosures
Lake Resources NL	ASX:LKE	3,4

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