

Jake Sekelsky
 jsekelsky@alliancegp.com
 Sales & Trading 888-543-4448

(ASX: LKE)

Price	AUD1.68
52 Week Range	(AUD0.21 - AUD1.87)
Price Target	AUD2.75
Market Cap (mil)	AUD2,123.67
Exchange rate	1US\$ = 1.34 AUD
Shares out (mil)	1,264.09
3-Mo Avg Vol	12,676,264

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

Price Target Change

Volatility: 5

Offtake MoU Serves as De-Risking Event at Kachi; Triggers Mine Plan Update and PT Increase

We view the signing of a non-binding Memorandum of Understanding (MoU) with Hanwa as a significant de-risking event for Kachi and Lake Resources as a whole. Although the agreement is non-binding, we believe it represents a significant step forward with respect to securing a major offtake partner and believe the MoU opens the door to Hanwa becoming an equity partner or financier of Kachi and Lake in the future. To this end, the company mentioned its intentions to develop a Clean Lithium Supply Chain with Hanwa and expect progress toward a binding agreement over the course of 2022. Given our belief that this MoU significantly de-risks Kachi from a financial perspective, we are reiterating our Buy rating and increasing our price target to A\$2.75 from A\$1.50 per share.

- MoU outlines potential offtake for up to ~50% of Kachi's annual production.**
 The MoU with Hanwa contemplates an offtake for up to 25,000 tpa of Lithium Carbonate Equivalent (LCE) over a 10-year period with a minimum of 15,000 tpa LCE priced at average quarterly benchmark market prices. We are supporters of management's decision to have LCE prices float with market rates in the MoU as there is a considerable lack of visibility with respect to where long-term LCE prices stabilize, in our view. Additionally, the MoU allows for Hanwa to consider providing financial support including equity investments, a prepayment of offtake, trade finance facilities, and other forms of financing in order to secure and develop a long-term partnership with Lake. We expect both Lake and Hanwa to continue discussions with additional downstream partners to develop a novel supply chain for the battery revolution that is expected to take place in the coming years.
- Hanwa offtake MoU for 25,000 tpa LCE triggers update to our mine model.**
 In an effort to remain conservative, our previous model for Kachi was based on the 25,500 tpa LCE scenario outlined in the company's most recent economic study. That said, during 1Q21, management announced its intentions to scale up production to ~50,000 tpa in the upcoming Definitive Feasibility Study (DFS). This, coupled with Hanwa's 25,000 tpa MoU agreement, gives us confidence that the 50,000 tpa scenario should prevail. As a result, we have updated our model to reflect the planned increase in production to 50,000 tpa. As such, we have increased our initial CapEx estimate by ~65% to approximately \$900M but continue to believe ~70% of capital requirements should be funded via debt from Export Credit Agencies with the remainder through a combination of support from Lilac Solutions, equity financings, and support from partners such as Hanwa. Despite the increase in CapEx, the updated production scenario had a significantly positive impact on our overall valuation of the company. In short, we believe Lake is ticking all the right boxes leading up to a Final Investment Decision in 2H22.
- We are reiterating our Buy rating and increasing our price target to A\$2.75 per share from A\$1.50 per share.** Our increased price target is primarily a reflection of increasing our projected production rates at Kachi to 50,000 tpa LCE. Our valuation remains based on a NAV analysis of Kachi utilizing a 9% discount rate and long-term LCE price of \$15,500/tonne, which we believe is conservative relative to current LCE prices. In short, we believe the building blocks are in place for Lake to organically grow into a major lithium producer under its newly established Target 100 growth strategy and believe various de-risking events on the horizon should unlock further value as Lake marches toward its goal of becoming a major lithium producer.

Valuation:

Our A\$2.75 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 projects are 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 Lake procuring equipment, personnel, and financing required to advance its projects. *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

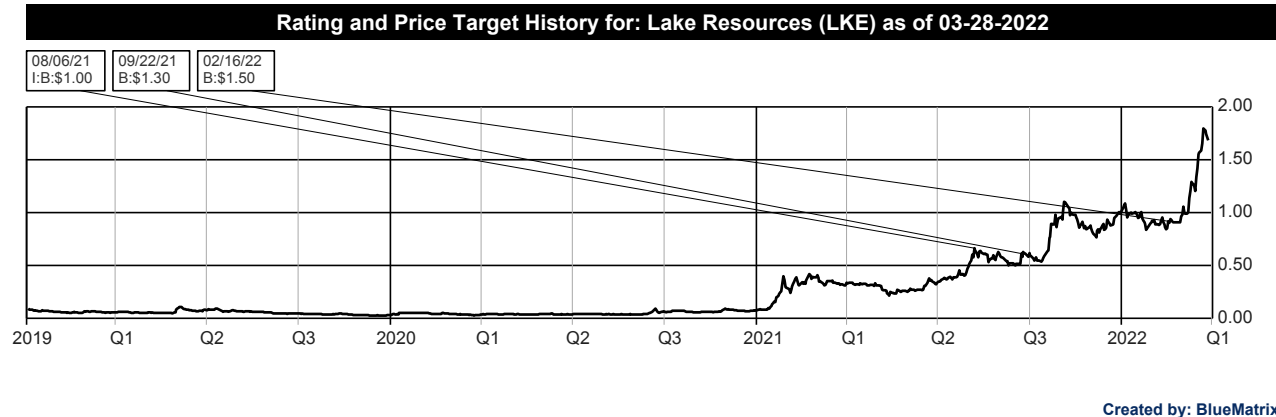
000s A\$	2020A	1H21A	2H21E	2021E	1H22E	2H22E	2022E
Revenue	-	-	-	-	-	-	-
Operating expenses	(4,393)	(1,484)	(1,666)	(3,150)	(2,426)	(3,126)	(5,551)
Operating income	(4,393)	(1,484)	(1,666)	(3,150)	(2,426)	(3,126)	(5,551)
Other expenses	(466)	(28)	(150)	(178)	(150)	(150)	(300)
Pretax income	(4,859)	(1,512)	(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	\$ 3,255,387						
NAVPS	\$2.75						

Source: ASX Filings, Alliance Global Partners estimates, Lake Resources reports

Jake Sekelsky

jsekelsky@allianceg.com

Important Research Disclosures



Distribution of Ratings/IB Services

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [BUY]	110	83.33	19	17.27
HOLD [NEUTRAL]	15	11.36	0	0
SELL [SELL]	0	0.00	0	0
NOT RATED [NR]	7	5.30	1	14.29
UNDER REVIEW [UR]	0	0.00	0	0

Disclosures

"Firm" used in the this section of the report entitled "**Disclosures**" refers to **A.G.P. / Alliance Global Partners** or **Euro Pacific Capital, a division of A.G.P. / Alliance Global Partners**. The Firm expects to receive or intends to seek compensation for investment banking services from all companies under research coverage within the next three months. The Firm or its officers, employees or affiliates, other than the research analyst authoring this report and his/her supervisor, may execute transactions in securities mentioned in this report that may not be consistent with the report's conclusions.

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,

The views expressed in this report (which include the actual rating assigned to the company as well as the analytical substance and tone of the report) accurately reflect the personal views of the analyst(s) covering the subject securities. An analyst's sector is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector average.

Furthermore, in accordance with FINRA Rules 2711, 2241, and their amendments related to disclosure of conflicts of interest, the analyst preparing this report certifies:

- The analyst or member of the analyst's household does not have a financial interest in the company that is the subject of this report, including a position in the debt or equity of the company, without limitation, whether it consists of any option, right, warrant, future, long or short position.
- The analyst or member of the analyst's household does not serve as officer, director or advisory board member of the company that is the subject of this report.

- The analyst has not received any compensation from the subject company or from investment banking revenues, directly or indirectly, for preparing this report.
- 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

All financial information is taken from company disclosures and presentations (including Form 10Q, 10K and 8K filings and other public announcements), unless otherwise noted. Any prices or quotations contained herein are indicative only and are not a commitment by A.G.P. / Alliance Global Partners to trade at any price.

If A.G.P. / Alliance Global Partners acts in a principal capacity with respect to the instruments mentioned herein it will be disclosed in the previous section of this report entitled "Disclosures." In the event that A.G.P. / Alliance Global Partners does act in a principal capacity, the commentary is therefore not independent from the proprietary interests of A.G.P. / Alliance Global Partners, which interests may conflict with your interests. Opinions expressed herein may differ from the opinions expressed by other divisions and/or business units of A.G.P. / Alliance Global Partners. The Firm does not undertake any obligation to update this material. This material is current as of the indicated date and as of the time it was sent to you. This material was prepared from information believed to be reliable, but A.G.P. / Alliance Global Partners makes no representations or warranties as to its accuracy or completeness.

This communication and the information contained herein is neither an offer to buy or sell nor a solicitation of an offer to buy or sell any security or instrument or to participate in any particular trading strategy.

This report should not be used as a complete analysis of the company, industry or security discussed in the report. Additional information is available upon request. Any opinions or estimates in this report are subject to change without notice. An investment in the stock may involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Additionally, an investment in the stock may involve a high degree of risk and may not be suitable for all investors. No part of this report may be reproduced without the express written permission of A.G.P. / Alliance Global Partners, member FINRA/SIPC. Copyright 2022.