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(ASX: LKE)

Price	AUD1.86
52 Week Range	(AUD0.21 - AUD2.65)
Price Target	AUD2.75
Market Cap (mil)	AUD2,376.22
Exchange rate	1US\$ = 1.34 AUD
Shares out (mil)	1,277.54
3-Mo Avg Vol	13,927,834

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

Offtake MoU With Major Automaker Announced; De-Risking of Kachi Accelerates

Lake Resources announced a non-binding Memorandum of Understanding (MoU) with Ford Motor Company (F-not covered) for a potential offtake of 25,000 tpa lithium carbonate equivalent (LCE) from its cornerstone Kachi Project in Argentina. Together with the recent Hanwa offtake MoU, 100% of the envisioned production at Kachi is now covered, which we view as a major de-risking event for the project. Further, we believe the agreement with Ford highlights Lake's ESG credentials and focus on creating a clean lithium supply chain. With offtake partners now in place for Kachi, indicative debt funding for ~70% of the project's CapEx, and pilot plant testwork underway, we believe Lake is in prime position to deliver a positive Definitive Feasibility Study (DFS) followed by a final investment decision in 2H22. As such, we are reiterating our Buy rating and A\$2.75 price target.

- Additional details surrounding MoU expected in the near term.** Although the details of the Ford MoU were vague, we expect to receive additional color during 1H22 as management works toward finalizing the agreement. From a high level, we expect the Ford and Hanwa final offtake agreements to be similar in terms of pricing mechanism and believe both agreements should open the door to further collaboration between the companies down the road. Regardless of the details outlined in any future final offtake agreement, we believe the involvement of a blue chip automaker with a commitment to ESG, such as Ford, serves as a significant de-risking event at Kachi while underpinning Lake's stated goal of delivering clean ESG-friendly lithium supply to the growing battery market.
- Kachi moves toward production as Target 100 strategy comes into focus.** Over the next two quarters, we expect Lake to focus on finalizing the aforementioned offtake agreements while completing the DFS and Environmental and Social Impact Assessment. Assuming these are announced by the end of 3Q22, we believe a final investment decision and corresponding financing package for Kachi could be announced by year-end. Additionally, with Kachi moving toward a construction decision, we expect management to move forward with drilling and further de-risking of its portfolio projects in an effort to develop a pipeline of assets to come online after Kachi as evidenced by the company's recently announced Target 100 strategy. As a reminder, the Target 100 growth program is management's initiative to make Lake a 100,000 tpa LCE producer by 2030. In our view, Lake is in the unique position to achieve this goal organically by advancing the Olaroz, Cauchari, and Paso Projects in tandem with Kachi. In short, we believe Lake is a major lithium producer in the making.
- We are reiterating our Buy rating and price target of A\$2.75 per share.** 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. Given this, we believe our valuation is conservative and note that our valuation for Kachi is highly sensitive to long-term LCE prices utilized in our model, which we expect to address in the future. 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

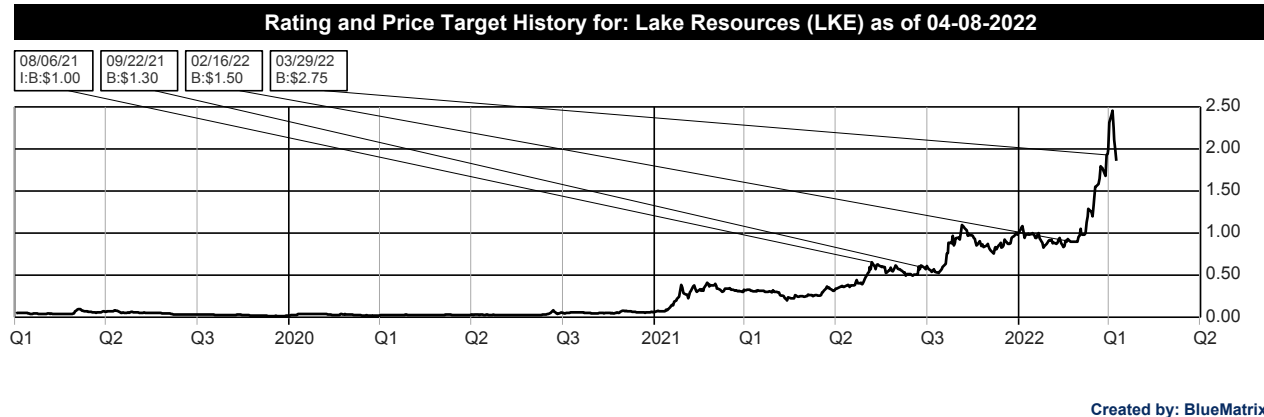
000s A\$	2020A	1H21A	2H21E	2021E	1H22E	2H22E	2022E
Revenue	-	-	-	-	-	-	-
Operating expenses	(4,393)	(1,484)	(1,666)	(3,150)	(2,426)	(3,126)	(5,551)
Operating income	(4,393)	(1,484)	(1,666)	(3,150)	(2,426)	(3,126)	(5,551)
Other expenses	(466)	(28)	(150)	(178)	(150)	(150)	(300)
Pretax income	(4,859)	(1,512)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

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Important Research Disclosures



Distribution of Ratings/IB Services

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [BUY]	111	83.46	15	13.51
HOLD [NEUTRAL]	15	11.28	0	0
SELL [SELL]	0	0.00	0	0
NOT RATED [NR]	7	5.26	1	14.29
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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