

RESEARCH REPORT

Lake Resources Limited - Update

Hanwa MOU – continuing to credit wrap the Kachi project

Share Price
& Estimated
Future Price

Price in 12-months	\$2.56
Current Price	\$2.00
Implied Change	+28%

Lake Resources (LKE. ASX) – Securing a successful project financing is all about the fundability of the asset on a standalone basis. This is where emerging resource companies struggle. To offset risk at the asset level, LKE is actively seeking to reduce counterparty risk by dealing with credit worthy intermediaries, which deal with credit worthy customers. Bottom line: If LKE can create a synthetic investment grade credit rating at the asset level it will secure favourable project financing terms. So what has LKE announced?

LKE signs a Non Binding MOU with Hanwa Co a Japanese commodity trader – I know I hear you...a non binding MOU...what is there to get excited about? Well, in Japan a non-binding MOU is a very serious commitment. Loyalty and respect are highly valued and embedded in all facets of Japanese culture.

LKE announced a strategic partnership with Hanwa Co a Japanese **A- credit rated commodity trader**, which has a deep sphere of influence amongst Asia's growing EV ecosystem. The MOU is for up to 25,000t/year or 50% of Kachi's planned production. Contract term is 10 years with a 10-year option to extend.

Hanwa will act as an intermediary – As a commodity trader Hanwa sources battery cell precursor materials (graphite, nickel, lithium etc) to make anodes and cathodes, which they then on-sell to credit worthy counterparties. With Hanwa as the on-seller of product containing Kachi lithium, the EV ecosystem and their bankers will effectively be dealing with an A- rated credit rather than LKE, which is a sub investment grade credit. With Hanwa acting as the intermediary, conversations that may never have happened can now happen.

Toyota seems to be in the mix – During a webinar, the CEO was asked if Toyota might be one of the EVs that Hanwa is engaging. He agreed it might be. Toyota is a global A+ credit rated auto company with a market cap of ~US\$260Bn. Although making EV's since 1997, Toyota recently switched its primary focus from fuel cells to battery EVs, revealing plans to roll out 30 battery EV models by 2030. From a credit rating perspective Toyota would be the prize. Toyota's A+ credit compares well against VW (BBB+), GM (BBB) and Volvo, Ford and Tesla, at BB+.

Operational update expected shortly – The CEO flagged that the DFS has slipped into 3Q22 and they are considering a sub listing on the Nasdaq. With the MOU announced, the update would be expected to include clarity around debt support. The demonstration plant is on its way to Argentina and commissioning risk remains the largest risk in the short term.

Valuation upside – We model a 2-train development to 50kt/year. Train-1 to 25kt/year is discounted at 0.75xNPV and train-2 is discounted to 0.50xNPV. Despite this announcement, we have not as yet raised our underlying NPV of \$2.56/share. We have however, removed the 25% discount we were carrying to arrive at our prior 12-month target of \$1.92/share. We did this as we are encouraged by what a Japanese partnership might bring. Further de-risking at the asset level over coming months will add upwards pressure to the valuation. **We still see a de-risked pathway to over \$5/share in coming years. An expansion to 100kt of production is not yet included in our value proposition.**

Analyst: Di Brookman (BSc. Hons)

enquiries@corporateconnect.com.au

Company Information

ASX Ticker	LKE
OTC Ticker	LLKKF
ASX Price (A\$)	2.00
52-week range (A\$)	0.20-2.10
Position relative to 52-week high	-1%
Shares on Issue (m)	1,273.5
Options (m)	163.5
Fully Diluted Shares on Issue (m)	1,437
Market Capitalisation (A\$m)	2,547
Average Daily Volume (m)*	12.6

Market Model - undiluted

	Unit	
Market capitalisation	A\$m	2,547
Cash	A\$m	100
Debt	A\$m	0.0
Enterprise value (EV)	A\$m	2,447
Market model / Risked intrinsic value %	%	76%
Cash % market cap	%	3.9%

Board & Key Personnel

Stephen Promnitz	MD
Stuart Crow	Chairman & NED
Robert Trzebski	NED
Sra. Amalia Saenz	NED
Dr Nick Lindsay	Exec Tech Director
Gautam Parimoo	COO
Peter Neilson	CFO

LKE Price Chart (Source: Factset)



RESEARCH REPORT

Lake Resources Limited - Update

Low cost funding pathway opening up

Company Summary

Investment Thesis – our view remains that every possible lithium project is required to meet demand

LKE aims to become a major global producer of high-quality battery grade lithium carbonate from its Argentinian Kachi Project (net 75%). LKE also holds 100% equity in three other significant Argentinian brine assets situated in the Lithium Triangle, which produces ~40% of global lithium production. The race is on and those with a point of differentiation are being rewarded.

LKE will use patented direct extraction technology (DLE) to produce greener lithium for sales into Europe, US and Asia. With its partner Lilac Solutions (Lilac), LKE plans to monetise a low carbon, low water, low waste, light footprint and high value project. Battery cell samples created by NOVONIX, using LKE's Tier-1 quality lithium carbonate, have been sent to battery/auto OEMs for qualification. Results are expected in coming months & offtake negotiations are advanced. Around mid-2022, the DFS is due to complete, the demonstration plant should be producing samples and FID will trigger construction. Production of high purity lithium could commence mid '24 Calendar year (CY). We assume a start up June 2024 (CY), suggesting ramp volumes mostly occurs in LKE's 2025 fiscal year (FY). Peak production of 50kt/year is expected in 2027 (FY).

In 2021, LKE **refreshed the original April '20 PFS** by increasing the lithium price from US\$11,000 to US\$15,500/t. With spot prices surging & now stabilising at ~US\$75,000/t, the **DFS now due 3Q22** is expected to include significantly higher lithium prices.

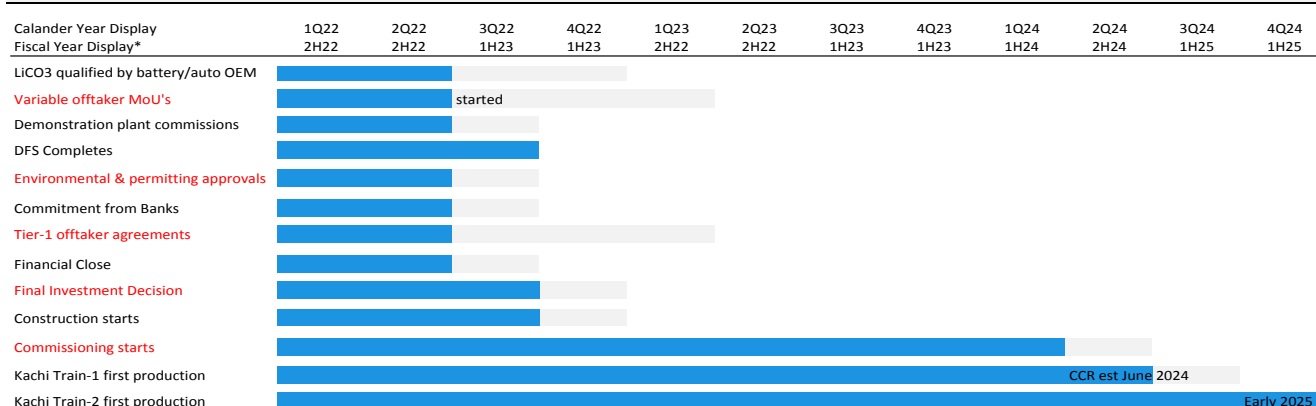
Our prior Kachi model, for a 25.5kt operation, was calibrated against output from the refreshed PFS. Given the high confidence around these input variables, we rated the development of a single processing train at 0.75xNPV, and continue to do so. In our last report we presented an expansion phase increasing production to 51kt/year. LKE recently announced that an expansion to 50kt/year would now form the base case for the DFS. We continue to calculate the capex and opex for the expansion phase using the "6/10's rule". However, with a lower confidence level around input pricing we rate the expansion phase, which includes train-2, at a lower 0.5xNPV8. With lithium prices surging, a sense of buyer panic is developing due to little new development and long lead times to production and a growing ESG focus. With battery grade lithium carbonate in clear undersupply, price premiums for a LKE's cleaner/purer product are highly likely.

JORC PROJECT RESERVES In mt LCE	Measured	Indicated	Inferred	Measured & Indicated	Measure, Indicated & Inferred
Kachi (LKE net 75%, Lilac Solutions net 25%)	-	1.01	3.40	1.01	4.41

Key recent operational ASX announcements include;

- Lake signs non-binding MOU with Japanese trading company Hanwa (March '22)
- Lilac demonstration plant being delivered to Kachi Lithium Project (March '22)
- Lake initiates Target 100 expansion strategy to fast-track lithium projects (Feb '22)
- Kachi production increased to 50,000tonnes/year lithium carbonate as Base Case for DFS (Jan '22)
- Canada provides further export credit support for Kachi (Sept '21)
- Lake partner Lilac Solutions announces US\$150m raising (Sept '21)
- Lake partners with Lilac Solutions for technology and funding to develop Kachi (Sept '21)

Catalysts timeline (source: Lakes Resources & CCR estimates)



*LKE Reports a Fiscal Year. CCR model based on fiscal year timelines

Lake Resources Limited - Update

Low cost funding pathway opening up

Highlights and observations of Hanwa MOU

- **CCR held a webinar with LKE CEO Steve Promnitz. [Open here](#)**
 - **Hanwa was founded in Tokyo in 1947**
 - **A sizeable long term contract using a market based pricing mechanism; and**
 - **The initial contract term is 10 years with an option for another 10 years.**
- **Hanwa Co is a leading Japanese based global trading company** and one of the larger traders of battery chemicals in the Asian region. It has a market cap of US\$1Bn and an EV of ~US\$5Bn.
 - Hanwa is known to producers in the EV and lithium space having formed strategic partnerships prior with Bacanora Lithium in Mexico and Orocobre in Argentina. As a result, Hanwa would be expected to understand brines and would be well versed in the economics and legalities of brine assets in Argentina.
 - The MOU is for between 15kt/year and 25kt/year of Kachi product. The offtake term is 10 years with an option to increase for another 10 years. Hanwa could also take an equity stake in LKE. We note Hanwa took a 10% equity stake in Baconara Lithium.
 - **Kachi lithium will contain a market based pricing mechanism**, which is expected to include a blend of contract and spot prices. Price transparency could be provided by the likes of S&P Global, Fastmarkets and Benchmark Minerals Intelligence. With the return to a tight market, as we have now, the effect of lower priced contracts is dragging down the average price. As new market-based contracts are signed the impact of higher spot pricing to outcomes should increase. No detail was provided as to how this upwards pressure to prices might be managed by Hanwa. At this stage there are no signs of caps and collars, which the Japanese are very familiar with through their LNG trade. This suggests there is a deep perception that market tightness in the lithium markets has a meaningful duration.
 - In its role as a commodity trader, **Hanwa will acts as an intermediary between Lake and the projects counterparties.** Doing so should reduce risk at the asset level and make it easier for senior banks to support the project financing.
 - The strategic relationship with LKE could give Hanwa access to potentially large supplies of green lithium. For LKE, they could gain access to Hanwa's supply chain. Why would they do this? There will come a time when Hanwa's exposure risk to Kachi will mean they will need to look elsewhere for supplies. It is important for LKE to mitigate this risk as its recently announced Target 100 Program, means they potentially still have up to another 75kt to bed down. It seems, the **aim of the strategic partnership from LKE's perspective is to embed LKE into Asia's battery ecosystem.** If correct, doing so could give LKE a significant lead in the development stakes over competing lithium projects.
 - In the CCR webinar the CEO hinted that the market might not have long to wait to see the MOU converted to a binding status. As Hanwa may need to reduce/eliminate its counterparty risk before signing, it is possible further announcements around parties involved could be expected. Will **Toyota** be in the mix? Perhaps the market may not have too long to wait.

Other recent highlights

- The CEO flagged that the Kachi **DFS will slip into 3Q22**
- Drilling to support the recently announced 100 Target Program (to lift production from 50kt to 100kt), has commenced at the Olaroz, Cauchari and Paso 100% owned prospects. The plan is to drill 10 rotary wells for a total of 4,000m
- Following the recent \$39m raise from Acuity Capital, LKE has \$100m in the bank. A further \$60m is expected from the expiry of options in June. An equity investment by Hanwa was flagged. With a pathway to a project finance becoming clearer it seems LKE's is approaching fully funded status at the asset level (net 75%).

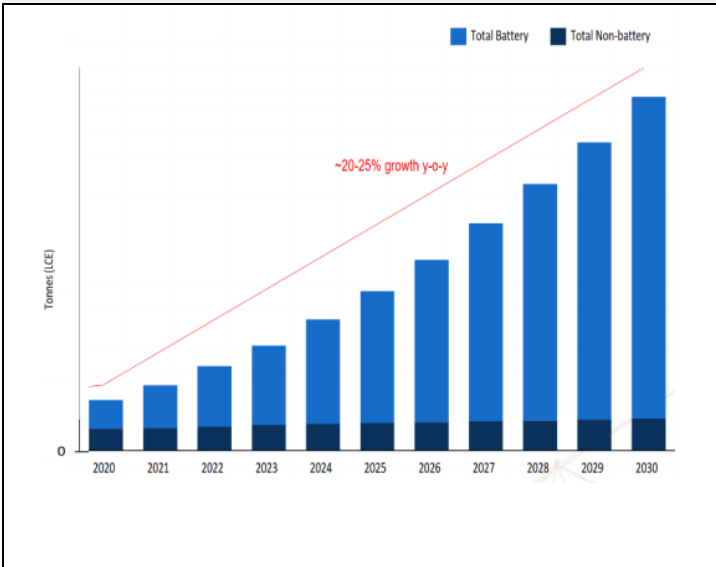
Comments

- In the short term, the biggest risk remains the demonstration plant, which is a ~7x mock up of the successful pilot plant in California. The modular demonstration plant, is on its way to Argentina and will operate on site at an elevation of ~3,000m. Lilac Solutions is installing and commissioning the modular plant, which was pre-tested in California.

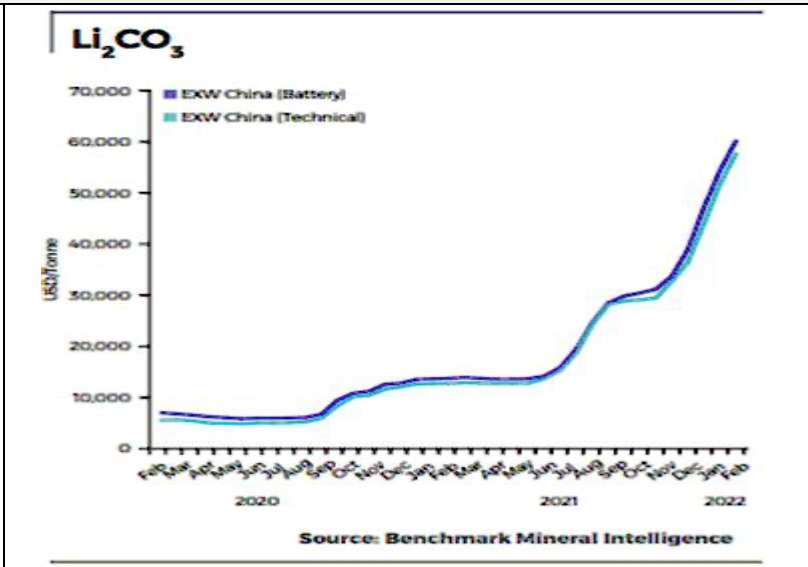
RESEARCH REPORT

Lake Resources Limited - Update Low cost funding pathway opening up

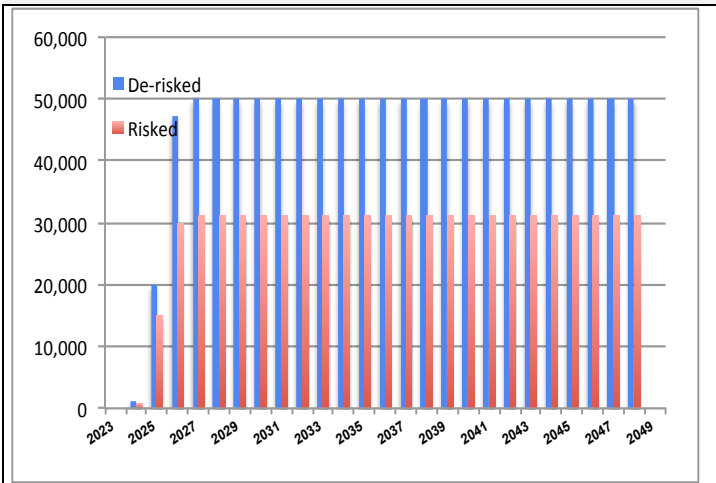
Lithium Price Forecasts – A systemic trend



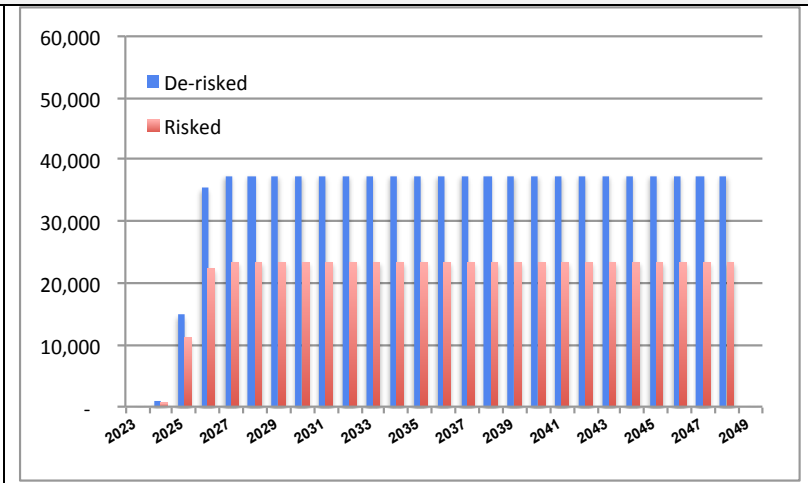
Price Surge – Supply Shortage Meets Rising Demand



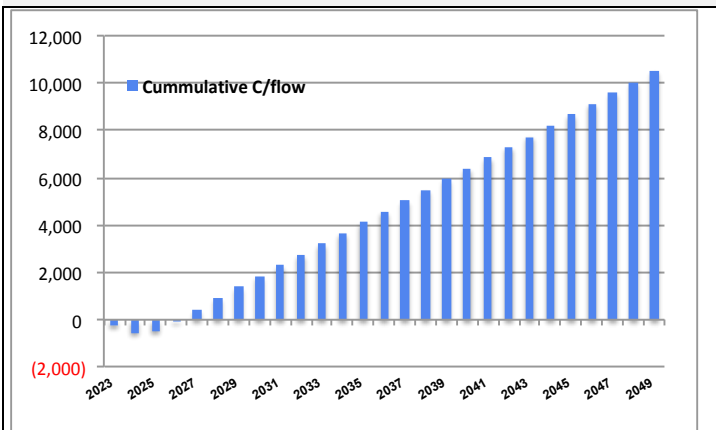
PROJECT Production (in tonnes) – De-risked @ 50kt/year



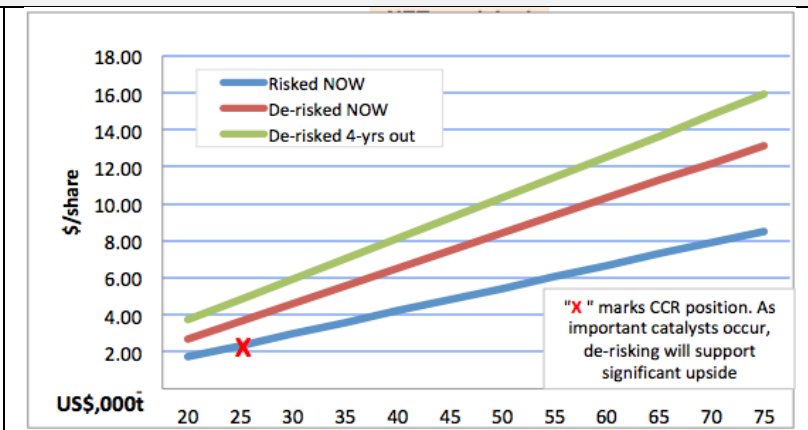
NET Production (in tonnes) – Risked versus de-risked volumes



NET Cashflow (in US\$m)



Valuation Outlook CCR Model Assumptions (in A\$/share)



RESEARCH REPORT

Lake Resources Limited - Update Low cost funding pathway opening up

AS RISKED EARNINGS

RISKED EARNINGS FORECAST, CASHFLOW & BALANCE SHEET								Kachi Phase-1 risking at 0.75x NPV		Kachi Phase-2 risking at 0.50x NPV		PRICE: A\$2.00				
PROFIT AND LOSS (riskied) (Year End June)								PRODUCTION ESTIMATES (Net)								
Year ending 30 June	Unit	2021A	2022F	2023F	2024F	2025F	2026F	Year ending 30 June	Unit	2021A	2022F	2023F	2024F	2025F	2026F	
Revenue	A\$m	-	-	-	20.4	374.4	761.1	PROJECTS								
Expenses	A\$m	(2.9)	(2.9)	(2.9)	(12.2)	(71.0)	(131.1)	Brine treated	mcm	-	-	-	1	18	65	
EBITDA	A\$m	(2.9)	(2.9)	(2.9)	8.2	303.4	630.0	Brine grade	mg/L Li	-	-	-	250	250	250	
Depreciation	A\$m	(0.0)	-	-	(3.8)	(69.5)	(127.2)	Contained lithium	kt LCE	-	-	-	1.3	24.0	56.7	
EBIT	A\$m	(2.9)	(2.9)	(2.9)	4.4	233.9	502.9	Recovery	%	-	-	-	83%	83%	83%	
Net interest (expense)	A\$m	-	-	-	(0.7)	(16.0)	(16.0)	Project lithium (de-risked)	kt LiCO ₃	-	-	-	1.1	19.9	47.2	
NPBT	A\$m	(2.9)	(2.9)	(2.9)	3.7	217.9	486.9	Project lithium (riskied)	kt LiCO ₃	-	-	-	0.8	15.0	29.8	
Tax expense	A\$m	-	-	-	-	(54.0)	(121.7)	-Net to Lake & riskied (in P&L)	kt LiCO ₃	-	-	-	0.8	15.0	22.4	
NPAT (pre-abnormal)	A\$m	(3.1)	(2.9)	(2.9)	3.7	163.9	365.2	NOMINAL PRICING & FOREX ASSUMPTIONS								
Abnormal items	A\$m	-	-	-	-	-	-	Year ending 30 June	Unit	2021A	2022F	2023F	2024F	2025F	2026F	
NPAT (reported)	A\$m	(3.1)	(2.9)	(2.9)	3.7	163.9	365.2	REAL KACHI LITHIUM PRICE	US\$/t	8,641	25,000	25,000	25,000	25,000	25,000	
CASH FLOW (riskied)								Spot Price*	US\$/t	8,641	63,000					
Year ending 30 June	Unit	2021A	2022F	2023F	2024F	2025F	2026F	NOMINAL PRICES								
OPERATING CASHFLOW								Lithium carbonate (LCE)	US\$/t	8,641	25,000	25,500	26,000	26,500	27,000	
NPAT	A\$m	(3)	(3)	(3)	4	164	365	Lithium carbonate (LCE)	A\$/t	11,521	34,247	34,000	34,667	35,333	36,000	
Add: non-cash items	A\$m	0	-	-	3	-	-	CURRENCY								
Change in working capital	A\$m	-	-	-	-	(42)	3	AUD/USD (PFS)	A\$/US\$	0.75	0.73	0.75	0.75	0.75	0.75	
Operating cash flow	A\$m	(3)	(3)	(3)	7	122	368	MARKET MODEL								
INVESTING CASHFLOW								Year ending 30 June	Unit							
PP&E	A\$m	(0)	-	(236)	(312)	(134)	(37)	Market cap	A\$m	2,547						
Exploration & evaluation	A\$m	(5)	(10)	(8)	(8)	(8)	(8)	Cash	A\$m	100						
Sustaining capital (from 2028)	A\$m	-	-	-	-	-	-	Debt	A\$m	-						
Rehabilitation charge	A\$m	-	-	-	-	-	(2)	Enterprise value (EV)	A\$m	2,447						
Investing cash flow	A\$m	(5)	(10)	(243)	(320)	(142)	(47)	Cash % market cap	%	3.9%						
FINANCING CASHFLOW								Market / Risked Intrinsic model	%	75.7%						
Share issues	A\$m	33	99	-	26	-	-	No of shares outstanding	m	1,274						
Project equity	A\$m	-	-	137	-	-	-	No of diluted outstanding shares*	m	1,437						
Project debt	A\$m	-	-	320	-	-	-	<i>* Outstanding shares +83.9m options due June '22 + 11.4m in '23 & 42.7m in '24</i>								
Other	A\$m	0	-	-	-	-	-	DISCOUNTED CASHFLOW MODEL - Refer Scenario-1								
Financing cash flow	A\$m	33	99	457	26	-	-	Discount % PROJECT NET NPV De-risked NET NPV Risked								
Surplus Cashflow	A\$m	25	86	210	(287)	(20)	321	NPV (Post tax)	Rate % (US\$m)	(US\$m)	(A\$m)	Risking	(A\$m)	A\$/sh		
BALANCE SHEET (riskied)								Kachi Lithium Project								
Year ending 30 June	Unit	2021A	2022F	2023F	2024F	2025F	2026F	Phase-1 (net 75%)	8%	2,684	2,013	2,684	75%	2,013	1.40	
ASSETS								Phase-2 (net 75%)	8%	2,110	1,583	2,110	50%	1,055	0.73	
Cash (incl. raising)	A\$m	26	112	322	39	88	537	NPV Kachi		4,795	3,500	4,795		3,068	2.14	
Accounts receivable	A\$m	0.3	0	0	0	31	40	Other Lithium Assets				100%	103	0.07		
PP&E (Capex less depreciation)	A\$m	0	0	236	544	609	521	-Corporate Costs				100%	(39)	(0.03)		
Exploration & evaluation assets	A\$m	22	32	39	47	55	63	+Net Cash (+near term options)				100%	100	0.07		
Other	A\$m	0	-	-	-	16	6	Equity value			3,500	4,795	100%	3,232	2.25	
Total assets	A\$m	48	144	598	631	799	1,166	Equity value	A\$m	3,232						
LIABILITIES								Fully diluted in 2022 (m)	NoSh	1,437						
Creditors	A\$m	1	1	1	1	5	6	DCF value Feb '22	A\$/share	2.25						
Provisions	A\$m	-	-	-	-	-	-	DCF value 12-months out	A\$/share	2.56						
Borrowings	A\$m	-	-	320	320	320	320	Target Price 12-months out*	A\$/share	2.56						
Other	A\$m	0	0	0	0	0	0	<i>* Prior a 25% discount was carried against the 12-month NPV to land the target price. This has now been removed.</i>								
Total liabilities	A\$m	1	1	321	321	325	326	VALUATION - CURRENT DCF SENSITIVITIES (Feb '22)								
SHAREHOLDER'S EQUITY								LITHIUM PRICES								
Share capital	A\$m	66	165	302	331	331	331		US\$/t	\$m	\$/sh	% diff				
Reserves	A\$m	3	3	3	3	3	3	-2,500	Base	25,000	3,232	2.25				
Retained earnings	A\$m	(22)	(25)	(28)	(24)	140	505	-2,500	Low	22,500	2,856	2.02	-10%			
Total equity	A\$m	47	143	277	310	474	839	+2,500	High	27,500	3,718	2.63	17%			
Weighted average NoSh/period	m	1,047	1,437	1,513	1,513	1,513	1,513	EXCHANGE RATE (long term)								
RATIOS								WACC (post tax)								
ASSETS	Unit	2021A	2022F	2023F	2024F	2025F	2026F		Base	0.75	3,232	2.25				
Net Cash (Debt)	A\$m	26	112	2	(281)	(231)	217	+0.1	Low	0.85	2,872	2.02	-10%			
Net Debt/Equity	%	0%	0%	0%	90%	49%	0%	-0.1	High	0.65	3,675	2.60	16%			
EPS	cps	-	-	(0.00)	0.00	0.11	0.24	WACC (post tax)								
PE ratio	ratio	-671.4x	-1006.3x	-1032.8x	808.1x	18.5x	8.3x		Base	8.0%	3,232	2.25				
Ebitda ratio	ratio	-	-	0.0x	0.4x	0.8x	0.8x	Low	7.0%	3,567	2.52	12%				
EV/Ebitda ratio	ratio	-	-	-835.1x	298.4x	0.0x	0.0x	High	9.0%	3,047	2.16	-4%				

Note:

In above earnings **Train-1** to 25kt/year is risked at 0.75xNPV & **Train-2** is risked at 0.5xNPV.
As risking multiple changes so does the P&L, Cashflow and Balance Sheet

RESEARCH REPORT

Lake Resources Limited - Update

Low cost funding pathway opening up

A\$ FULLY DE-RISKED EARNINGS

DE-RISKED EARNINGS FORECAST, CASHFLOW & BALANCE SHEET								Kachi Phase-1 risking at 1.00x NPV		Kachi Phase-2 risking at 1.00x NPV		PRICE: A\$2.00				
PROFIT AND LOSS (risked) (Year End June)								PRODUCTION ESTIMATES (Net)								
Year ending 30 June	Unit	2021A	2022F	2023F	2024F	2025F	2026F	Year ending 30 June	Unit	2021A	2022F	2023F	2024F	2025F	2026F	
Revenue	A\$m	-	-	-	27.2	499.2	1,203.2	PROJECTS								
Expenses	A\$m	(2.9)	(2.9)	(2.9)	(15.2)	(92.9)	(200.7)	Brine treated	mcm	-	-	-	1	18	65	
EBITDA	A\$m	(2.9)	(2.9)	(2.9)	12.0	406.3	1,002.4	Brine grade	mg/L Li	-	-	-	250	250	250	
Depreciation	A\$m	(0.0)	-	-	(5.1)	(92.7)	(195.1)	Contained lithium	kt LCE	-	-	-	1.3	24.0	56.7	
EBIT	A\$m	(2.9)	(2.9)	(2.9)	6.9	313.6	807.4	Recovery	%	-	-	-	83%	83%	83%	
Net interest (expense)	A\$m	-	-	-	(1.0)	(24.4)	(24.4)	Project lithium (de-risked)	kt LiCO ₃	-	-	-	1.1	19.9	47.2	
NPBT	A\$m	(2.9)	(2.9)	(2.9)	5.9	289.2	782.9	Project lithium (risked)	kt LiCO ₃	-	-	-	1.1	19.9	47.2	
Tax expense	A\$m	-	-	-	(0.0)	(72.3)	(195.7)	-Net to Lake & risked (in P&L)	kt LiCO ₃	-	-	-	1.1	19.9	35.4	
NPAT (pre-abnormal)	A\$m	(3.1)	(2.9)	(2.9)	5.9	216.9	587.2	NOMINAL PRICING & FOREX ASSUMPTIONS								
Abnormal items	A\$m	-	-	-	-	-	-	Year ending 30 June	Unit	2021A	2022F	2023F	2024F	2025F	2026F	
NPAT (reported)	A\$m	(3.1)	(2.9)	(2.9)	5.9	216.9	587.2	REAL KACHI LITHIUM PRICE	US\$/t	8,641	25,000	25,000	25,000	25,000	25,000	
CASH FLOW (risked)								Spot Price*	US\$/t	8,641	63,000					
Year ending 30 June	Unit	2021A	2022F	2023F	2024F	2025F	2026F	NOMINAL PRICES								
OPERATING CASHFLOW								Lithium carbonate (LCE)	US\$/t	8,641	25,000	25,500	26,000	26,500	27,000	
NPAT	A\$m	(3)	(3)	(3)	6	217	587	Lithium carbonate (LCE)	A\$/t	11,521	34,247	34,000	34,667	35,333	36,000	
Add: non-cash items	A\$m	0	-	-	5	-	-	CURRENCY								
Change in working capital	A\$m	-	-	-	-	(56)	4	AUD/USD (PFS)	A\$/US\$	0.75	0.73	0.75	0.75	0.75	0.75	
Operating cash flow	A\$m	(3)	(3)	(3)	11	161	591	MARKET MODEL								
INVESTING CASHFLOW								Year ending 30 June	Unit							
PP&E	A\$m	(0)	-	(314)	(464)	(268)	(75)	Market cap	A\$m	2,547						
Exploration & evaluation	A\$m	(5)	(10)	(10)	(10)	(11)	(11)	Cash	A\$m	100						
Sustaining capital (from 2028)	A\$m	-	-	-	-	-	-	Debt	A\$m	-						
Rehabilitation charge	A\$m	-	-	-	-	-	(3)	Enterprise value (EV)	A\$m	2,447						
Investing cash flow	A\$m	(5)	(10)	(325)	(475)	(279)	(88)	Cash % market cap	%	3.9%						
FINANCING CASHFLOW								Market / Risked Intrinsic model	%	49.4%						
Share issues	A\$m	33	99	-	26	-	-	No of shares outstanding	m	1,274						
Project equity	A\$m	-	-	210	-	-	-	No of diluted outstanding shares*	m	1,437						
Project debt	A\$m	-	-	489	-	-	-	* Outstanding shares +83.9m options due June '22 + 11.4m in '23 & 42.7m in '24								
Other	A\$m	0	-	-	-	-	-	DISCOUNTED CASHFLOW MODEL - Refer Scenario-1								
Financing cash flow	A\$m	33	99	698	26	-	-	NPV (Post tax)	Discount Rate %	PROJECT (US\$m)	NET NPV (US\$m)	De-risked (A\$m)	Risking	NET NPV (A\$m)	Risked (A\$/sh)	
Surplus Cashflow	A\$m	25	86	371	(437)	(118)	503	Kachi Lithium Project								
BALANCE SHEET (risked)								Train-1 (net 75%)	8%	2,730	2,048	2,730	100%	2,730	1.90	
Year ending 30 June	Unit	2021A	2022F	2023F	2024F	2025F	2026F	Train-2 (net 75%)	8%	2,116	1,587	2,116	100%	2,116	1.47	
ASSETS								NPV Kachi		4,847	3,538	4,847		4,847	3.37	
Cash (incl. raising)	A\$m	26	112	483	50	25	723	Other Lithium Assets				100%	103	0.07		
Accounts receivable	A\$m	0.3	0	0	0	41	53	-Corporate Costs	10%			100%	(40)	(0.03)		
PP&E (Capex less depreciation)	A\$m	0	0	314	774	949	831	+Net Cash (+near term options)				100%	100	0.07		
Exploration & evaluation assets	A\$m	22	32	42	52	63	74	Equity value			3,538	4,847	100%	5,009	3.49	
Other	A\$m	0	-	-	-	21	8	Equity value	A\$m			5,009				
Total assets	A\$m	48	144	839	876	1,099	1,688	Fully diluted in 2022 (m)	NoSh			1,437				
LIABILITIES								DCF value Feb '22	A\$/share				3.49			
Creditors	A\$m	1	1	1	1	7	8	DCF value 12-months out	A\$/share				3.89			
Provisions	A\$m	-	-	-	-	-	-	Target Price 12-months out*	A\$/share				3.89			
Borrowings	A\$m	-	-	489	489	489	489	* Prior a 25% discount was carried against the 12-month NPV to land the target price. This has now been removed.								
Other	A\$m	0	0	0	0	0	0									
Total liabilities	A\$m	1	1	490	490	496	497									
SHAREHOLDER'S EQUITY																
Share capital	A\$m	66	165	374	405	405	405									
Reserves	A\$m	3	3	3	3	3	3									
Retained earnings	A\$m	(22)	(25)	(28)	(22)	195	782									
Total equity	A\$m	47	143	350	387	604	1,191									
Weighted average NoSh/period	m	1,047	1,437	1,553	1,553	1,553	1,553									
RATIOS																
ASSETS																
Net Cash (Debt)	A\$m	26	112	(6)	(439)	(464)	234									
Net Debt/Equity	%	0%	0%	2%	113%	77%	0%									
EPS	cps			(0.00)	0.00	0.14	0.38									
PE ratio	ratio	-671.4x	-1006.3x	-1060.3x	527.4x	14.3x	5.3x									
Ebitda ratio	ratio	-	-	0.0x	0.4x	0.8x	0.8x									
EV/Ebitda ratio	ratio	-	-	-835.1x	203.9x	0.0x	0.0x									

Note:

In above earnings Train-1 to 25kt/year is risked at 0.75xNPV & Train-2 is risked at 0.5xNPV.
As risking multiple changes so does the P&L, Cashflow and Balance Sheet.

RESEARCH REPORT

Lake Resources Limited - Update

Low cost funding pathway opening up

Corporate Connect Research Pty Ltd Independent Research Report Disclaimer

General disclaimer and copyright

This report (“report” or “Research”) has been commissioned by the Company the subject of this report (“**Lake Resources Ltd**”) and prepared and issued by (**Di Brookman AR number 1283213**) of Corporate Connect Research Pty Ltd (“Corporate Connect Research”) (ABN 95640 464 320 – Corporate Authorised Representative (**AR number 1281982**) of Australian Financial Services Licence (AFSL) Number 341506) in consideration of a fee payable by the Company. Corporate Connect Research may be paid additional fees for the provision of additional services to the Company but Corporate Connect Research is not remunerated for any investment banking or similar services. Where Corporate Connect Research has been commissioned to prepare content and receives fees for its preparation, fees are paid upfront in cash and NO part of the fee, compensation or employee remuneration paid will either directly or indirectly impact the content provided.

Accuracy of content

All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however Corporate Connect Research does not guarantee the accuracy or completeness of this report and has not sought for this information to be independently verified.

Opinions contained in this report represent those of the analyst of Corporate Connect Research (**Di Brookman AR number 1283213**) at the time of publication.

The analyst has received assistance from the Company in preparing this document. The Company has provided the analyst with access to senior management and information on the Company and industry.

From time to time, Corporate Connect Research’s representatives or associates may hold interests, transact or hold directorships in, or perform paid services for, companies mentioned in this report. Corporate Connect Research and its associates, officers, directors and employees, may, from time to time, hold securities in the companies referred to in this report and may trade in those securities as principal and in a manner that may be contrary to recommendations mentioned in this report.

As part of due diligence, the analyst has independently and critically reviewed the assistance and information provided by the Company to form the opinions expressed in the report. However, due diligence site visits have not been undertaken at this time. Care has been taken by the analyst to maintain objectivity in preparing this report and making any recommendation. The analyst is responsible for ensuring that this report accurately reflects his or her view of the matters set out in it and that it was prepared in an independent manner.

Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results and estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. This report is prepared as at the date stated in it, and to the maximum extent permitted by law, Corporate Connect Research (on its own behalf and on behalf of the analyst) disclaims any responsibility to inform any recipient of this report of any matter that subsequently comes to its notice, which may affect any of the information contained in this report.

Exclusion of liability

To the fullest extent allowed by law, Corporate Connect Research (on its own behalf and on behalf of the analyst) shall not be liable to any person for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you or any other person arising out of or in connection with the access to, use of or reliance on any information contained in this report.

No guarantees or warranties regarding accuracy, completeness or fitness for purpose are provided by Corporate Connect Research (on its own behalf and on behalf of the analyst), and under no circumstances will any of Corporate Connect Research’s analysts, representatives, associates or agents be liable for any loss or damage, whether direct, incidental or consequential, caused by reliance on or use of the content.

General advice warning

This report and any other Research must not be construed as personal advice or recommendation nor as an inducement to trade the report’s named company or any other security. Corporate Connect Research encourages investors to seek independent financial advice regarding the suitability of investments for their individual circumstances and recommends that investments be independently evaluated. Investments involve risks and the value of any investment or income may go down as well as up. Investors may not get back the full amount invested. Past performance is not indicative of future performance. Estimates of future performance are based on assumptions that may not be realised. If provided, and unless otherwise stated, the closing price provided is that of the primary exchange for the issuer’s securities or investments. The information contained within the Research is published solely for information purposes and is not a solicitation or offer to buy or sell any financial product or participate in any trading or investment strategy.

Analysis contained within the Research is based upon publicly available information and may include numerous assumptions. Investors should be aware that different assumptions can and do result in materially different results. The Research is distributed only as may be permitted by law. It is not intended for distribution or use by any person or entity located in a jurisdiction where distribution, publication, availability, or use would be prohibited. Corporate Connect Research makes no claim that the Research content may be lawfully viewed or accessed, whether inside or outside of Australia. Access to the Research content may not be legal for certain persons and in certain jurisdictions. If you access this service or content from outside of Australia, you are responsible for compliance with the laws of your jurisdiction and/or the jurisdiction of the third party receiving such content. The Research is provided to our clients through our website and our distribution partners (www.sharecafe.com.au and www.informedinvestor.com.au).

Some Research products may also be made available to our clients via third party vendors or distributed through alternative electronic means as a convenience. Such alternative distribution methods are at Corporate Connect Research’s discretion.

Access and use

Any access to, or use of, the Research is subject to the Terms and Conditions of Corporate Connect Research. By accessing or using the Research you hereby consent to Corporate Connect Research collecting and using your personal data (including cookies) in accordance with our Privacy Policy (<https://corporateconnect.com.au/privacy/>), including for the purpose of a) setting your preferences and b) collecting readership data so Corporate Connect Research may deliver an improved and personalised service to you. If you do not agree to our Terms and Conditions and/or if you do not consent to Corporate Connect Research’s use of your personal data, please do not access this service.

Copyright of the information contained within the Research (including trademarks and service marks) are the property of the irrespective owners. The Research, or any portion thereof, may not be republished, reprinted, sold, or redistributed without the prior and written consent of Corporate Connect Research.

RESEARCH REPORT

Lake Resources Limited - Update

Low cost funding pathway opening up

Australia

Corporate Connect Research Pty Ltd is a Corporate Authorised Representative (1281982) of Sequoia Asset Management Pty Ltd who holds an Australian Financial Services Licence (Number: 341506), which allows Corporate Connect Research to offer financial service advice to wholesale and retail clients. Any advice given by Corporate Connect Research is general advice only and does not consider your personal circumstances, financial situation, needs or objectives. You should, before acting on this advice or making any investment decision or a decision about whether to acquire or dispose of a financial product mentioned in any Research, consider the appropriateness of the advice, having regard to your objectives, financial situation, and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument, and also seek independent financial, legal and taxation advice.

New Zealand

The Research in this document is intended for New Zealand resident professional financial advisers or brokers. This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Corporate Connect Research within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

United Kingdom

This document is prepared and provided by Corporate Connect Research for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on, or act upon, the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

United States

Corporate Connect Research relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Corporate Connect Research does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a commendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Analyst Verification

I verify that I, **(Di Brookman)** have prepared this research report accurately and that any financial forecasts and recommendations that are expressed are solely my own personal opinions. In addition, I certify that no part of my compensation is or will be directly or indirectly tied to the specific recommendation or financial forecasts expressed in this report.

For more information contact Corporate Connect

www.corporateconnect.com.au

Sydney

79 Kent St
Millers Point
Sydney NSW 2000

Phone: +61 400 897 559

Email: enquiries@corporateconnect.com.au

<https://www.corporateconnect.com.au/>