

Nothing placid about Lake

Investors have backed Lake Resources NL's ambitious bid to become a 100,000 tpa lithium carbonate producer by 2030 after the company's shares soared to an all-time high last month.

Shares in the Argentine-focused developer peaked at \$1.35 in mid-March after raising \$39 million via an at-the-market subscription agreement with Acuity Capital, with Lake also joining the S&P/ASX300 for the first time.

Lake was also last month celebrating the delivery of the modular demonstration plant, developed by technical partner Lilac Solutions Inc in California, to its flagship Kachi lithium brine project in Catamarca province.

The demonstration plant is expected to operate for 3-4 months and will produce high-purity battery-quality lithium carbonate for qualification by potential offtakers later in the year. On-site operations will also inform final engineering design prior to construction of the commercial-scale project at Kachi.

Lake has eyes firmly fixed on completing the DFS on Kachi by the end this quarter, having recently expanded its base case production target to 50,000 tpa on the back of growing market demand for new lithium supply.

"We were actually doing a study alongside our DFS looking at an expansion to 50,000 tpa, working out whether we would incorporate that as Phase 2 for Kachi, but the level of demand for new lithium supply is really quite exceptional and so that was one of the key reasons why we decided to embed that as our base case production target," Lake managing director Steve Promnitz told **Paydirt**.

"It's quite a significant step because 50,000 tpa actually make us one of the world's largest producers straight up from the first project.

"Another reason for increasing to 50,000 tpa was the export credit agencies we've been talking to in the UK and Canada, and their supporting banks, are very keen to participate in a much larger project. Lilac is as well, so it's a pretty unusual situation but we're confident it's the right move for the company."

Kachi will be the first operational cab off the rank in Lake's newly coined Target 100 strategy to produce 100,000 tpa of high purity lithium chemicals across a portfolio of projects by the end of the decade.

Lake recently brought forward a \$US15 million programme for its three other 100%-owned lithium projects in Argentina – Olaroz, Cauchari and Paso – for fast-tracked drilling, brine-testing and feasibility studies.

"Some people have said it's quite ambi-



Steve Promnitz

tious – and it is – given there's only a couple of companies at the moment who are actually producing at that rate," Promnitz said.

"We wanted to flag to the market that we already have other projects capable of helping us achieve that target. We won't need investment banks coming to us trying to merge us with others because we've actually got the projects which we've been quietly developing over time.

"It's very achievable because of what we've learned at Kachi, what we've learnt about direct lithium extraction and all the capital and operating costs that go with it. We can do a lot of cookie-cutting from our feasibility studies for the next project because we're much more familiar with pilot plant work."

With the DFS and the associated environmental and social impact assessment for Kachi expected by mid-year, Lake appears to be closing in on a final funding solution which would allow construction work to begin during the second half of 2022. Long duration, low-cost debt finance is indicatively available to the company from UK export credit agency UKEF and Canada's EDC for about 70% of the total finance required for development.

Although Lake has yet to sign any formal offtake agreements, Promnitz believes the company's decision to wait is now set to pay off at the negotiating table.

"The size of demand is so strong that I don't think most people in the market have either seen it or actually believe it; it is just astounding," he said.

"We have carmakers, battery makers,

cathode makers calling us because they are very keen to sign at least indicative MoUs around offtake so we can get to the next stage. We have been holding the line now for some time because we want to see a proper market-based pricing mechanism and some form of pre-payment or investment which shows the offtake is real and there's genuine interest in having an independent producer.

"UBS recently came out and said we need 10 times more lithium in 2030 than what was produced last year. We've been saying that for a long time, so it's interesting to have UBS saying it now. Even Bloomberg New Energy Finance are expecting demand to be around 900,000t LCE this calendar year, which is quite a lot higher than most people in the market would have you believe.

"Companies like Lake who haven't signed offtake agreements can benefit from this situation because there's no production that's locked into backward-looking pricing, regardless of how that might be renegotiated. So, not having offtake signed yet is actually a very good thing."

Promnitz said the company was "just a couple of hires away" from having its owner's team in place for the construction phase. The Kachi build will be overseen by recently appointed chief operating officer Gautam Parimoo, who brings more than 25 years of experience in multi-billion dollar developments across Latin America.

– Michael Washbourne