

Lake Resources NL (ASX:LKE)

Corporate Update

June 21, 2022

Buy Opportunity on Sudden Stock Dip Post CEO Departure

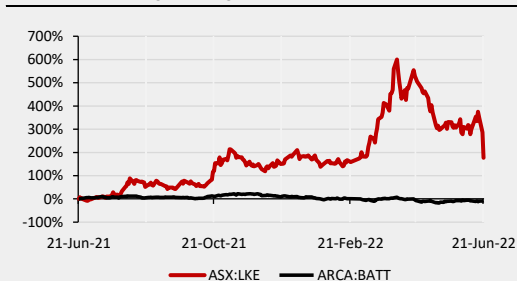
(Currency is A\$ unless noted otherwise)

Closing Price (A\$/sh)	\$0.97	
Rating	BUY	
Target (\$/sh)	\$3.15	
Return to Target	225%	
52 Week Low / High	\$0.32 / \$2.65	
CAPITALIZATION	Basic	Diluted
Shares Outstanding (M)	1,317.9	1,370.4
Market Capitalization (\$MM)	\$1,278.3	
Enterprise Value (\$MM)	\$1,128.3	
Cash and Cash Equivalents (\$MM)	\$150.0	
Total Debt (\$MM)	\$0.0	
FYE: JUN 30	2021A	2022E
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
		-0.02
		-0.02

STOCK CHART



RELATIVE PERFORMANCE



RELATIVE VALUATION	C\$ EV/t LCE	P/NAV
Lake Resources NL	\$231.3	0.28x
Peers*	\$87.7	0.37x

*S&P Capital IQ

MAJOR SHAREHOLDERS

Management (8.39%), Acuity Capital Investment Management (3.04%), The Vanguard Group, Inc. (2.84%), BlackRock, Inc. (1.14%)

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.

Lake Resources' share price fell 28% to A\$0.97/sh overnight upon news that it would be establishing North American head offices to assist in the operations of its Argentine Li brine projects and better serve its off-take customers and partners. Mr. Stu Crow was appointed temporary Executive Chairman to oversee the appointment of a new CEO, board members, and establishment of US offices. The executive search was progressing well while engaging candidates with production, operations, and market experience. We soon came to realize that previous MD, Steve Promnitz, resigned unexpectedly on Friday. A third-party has reported that he also sold his entire 10.2M share position. Steve had done an excellent job in setting the strategic groundwork with an ESG focus for Lake. While we were told that Mr. Promnitz was likely destined for a new role within LKE, the transition to a North American CEO had been in the works for about six months, and his sudden departure comes as a shock to the Board. **We view this share price correction as a great investment opportunity to buy Lake Resources at a lower entry point. While CEO departures are common as firms evolve into the construction and production stage, rumors may emerge on Mr. Promnitz sudden departure. Some may wonder if there are DLE or other technical or financial de-risking issues. We suspect this is not much more than a human resources issue, perhaps with a difference in opinion on the head office location strategy. A transition process has been underway for last six months.** While moving into North American markets, the Board decided to transition its corporate office into NA. With Argentine projects, Hatch in Toronto, Lilac in CA and an off-take with Ford, eliminating time-zone issues would help streamline the business.

Lake Resources has the largest land package in the Lithium Triangle with four brine projects in Argentina, including flagship Kachi. While LKE has financially de-risked Kachi through debt and offtakes, we note that the upcoming DFS and pilot plant should help on the technical front.

- Hiring is underway with a short list remaining for CEO, plus building out a non-executive high-profile and experienced board is ongoing.
- Resource update is due in mid-2022, and this would allow a FS update in Q3-Q4/22, with the goal of doubling production to 50,000 tpa LCE.
- Demo plant construction is on track for a Q3/22 start-up. Concentrate will be sent to Haizen in CO to convert to LCE.
- Ford and Hanwa discussions are progressing. A lot of interest in off-takes but no additional production is available.
- Cash is at A\$150M having recently added A\$62M via options.

We maintain our BUY rating and target price of A\$3.15/sh. Our target price is derived using a DCF to which we now apply a higher 1.0x multiple to account for additional de-risking. **Upcoming catalysts:** 1) finalization of the Hanwa and Ford offtakes (mid/22), 2) commissioning of a demo plant (Q2/22), 3) resource update (Q3/22), 4) DFS and ESIA (Q2/22), 5) project financing (H2/22), 6) assays from the brine projects (H2/22), 7) construction decision (H2/22), and 8) production (H2/24).

David A. Talbot | MD, Mining Analyst
Alina Islam | Senior Research Associate
Daniel Kozielowicz | Research Associate
Shikhar Sarpal | Research Associate

Red Cloud Securities Inc.

120 Adelaide Street West, Suite 1400
 Toronto ON, M5H 1P9

research@redcloudsecurities.com

<https://redcloudresearch.com/>

Disclosure Statement

Updated June 21, 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	1.25		
2022-03-03	BUY	2.20		
2022-03-30	BUY	2.20		
2022-04-11	BUY	2.20		

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Company Specific Disclosure Details

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

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