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From: Gabriel Buck <[REDACTED]>
Date: Tuesday, 17 August 2021 at 03:41
To: [REDACTED] <[REDACTED]>
<[REDACTED]>
Subject: Lake / Reuters article

Redacted under Regulation 13

[REDACTED] & [REDACTED]

Thank you for your call and for sending me the Reuters article.

First off – whilst I had nothing to do with the Reuters article I was heavily involved in the initial Lake announcement to the ASX. On this apologies for any ripples caused. Mea culpa. I had “signed off” on the ASX announcement and I had thought it to be fair and balanced (which I am glad you agreed with) but I do respect & accept that a couple of the executive headlines could have been phrased slightly better. I’m glad that you came to the conclusion we didn’t need to issue a re-active statement. I agree with you – had we needed to do this – it would have raised more questions in the market / press and created more “story” for the press to feed on.

However, following on from our call I’ve liaised with Lake and have pointed out to them the following

- Your preference would not to have seen in the headline the adjective “strong” to describe how Lake sees the EOI and “finance” in the 2nd bullet point – that UKEF would have preferred something like “support available to cover expanded production....”
- The ESG benefits still needed to be evaluated – something UKEF have not, as yet, undertaken.
- Going forward and with discussions with the press - whilst all parties accept that some of this may be difficult – we should

1) Try and keep the briefing to the press – on anything re UKEF - as plain as possible. Perhaps by just reiterating the main statements on the body of the press release.

2) Lake should refrain from inferring a statement from UKEF – perhaps by making it clear that the statement is from Lake perhaps “We, Lake, were/are very impressed with the EOI from UKEF” “they provided what we asked for”. “ESG is a strong part of our project offering which Lake sees as one of the key positive factors of this project”

Correspondence between Gabriel Buck of GKB Ventures, the export credit advisor appointed by Lake Resources, and UK Export Finance, released by UK Export Finance via FOIA, [Annex D](#)

Spinmeisters

We made a Freedom of Information Act (FOIA) application to the UK government to verify Lake Resources' (Lake) claim that it has “confirmed” funding from UK Export Finance (UKEF). These documents seem to reveal that Lake has made statements that are incorrect about the expression of interest (EOI) from UKEF. UKEF says that Lake is just at the start of the application process. Despite Lake's spin to promote the stock, the facts are that the project has:

- ▶ no export financing in place
- ▶ no binding offtake agreements
- ▶ no definitive feasibility study

Lake claims the EOI from UKEF provided in August 2021 “considerably de-risks the project.”¹ A cache of documents released by UKEF under the FOIA request shows a conflict between the information Lake presents to the market and UKEF’s view of the EOI supporting the project. UKEF appears to be critical of Lake’s press release for characterizing the EOI as a “strong” expression of interest and has instructed Lake not to say that the EOI is an endorsement of the Kachi project's ESG benefits.² The same cache of documents takes issue with a Reuters article quoting then-Managing Director, Stephen Promnitz saying the UKEF “really liked the ESG benefits of Kachi.” In respect to this, the UKEF has said “Lake should refrain from inferring a statement from UKEF”.

Lake may be misleading investors where it says in its 2022 Annual Report, “It has

1 https://lakeresources.com.au/wp-content/uploads/2021/09/lke_kachi-finance_28-sep-21.pdf

2 See [Annex D](#)

been confirmed that the project will be funded 70% by international credit agencies sourced by SD Capital and GKB Ventures, with the remainder being provided by equity.”³ There have been no ASX announcements to this effect, which seems surprising in light of how significant the sourcing of funding is to the project. Chairman Stuart Crow’s 5 million performance rights which are dependent on signing agreements to finance the Kachi project are now considered to have 100% probability of being achieved. Unless there have been some recent undisclosed developments, Lake is aware the financing from UKEF is not “confirmed” and yet, despite this, they have made provision for Mr Crow to receive the performance rights that have now vested.⁴

Lake Resources Annual Report 2022							
Performance rights outcomes are as follows:				Lake considers the Kachi Project is funded and has provisioned for 5 mln performance rights to be issued to Chairman Stuart Crow			
The Kachi Pre-Feasibility Study (PFS) completion resulted in 2,500,000 for Dr Lindsay and 2,500,000 for S Promnitz vested in the 2021 and converted into ordinary shares in 2022.							
Mr Crow’s 5 million performance rights vest dependent upon an investment partner signing an agreement to invest in the Kachi project in Catamarca (Investor). At 30 June 2020 the probability of obtaining an investment partner was assessed at 5%. It has been confirmed that the project will be funded 70% by international credit agencies sourced by SD Capital and GKB Ventures, with the remainder being provided by equity. It is now considered extremely likely that the vesting condition will be achieved, hence an increase to 100% probability was disclosed at 30 June 2022. Due to Mr Promnitz’ resignation on the 17 June 2022, the unwinding of his remaining 2.5 million performance rights have taken place in the current financial year.							
The terms and conditions of performance rights on issue at 30 June 2021 affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:							
Grant date	Expiry date	No. of Rights granted	Performance hurdle	Performance achieved	No. vested and exercised	No. vested and not exercised	No. expired during the year
15-Aug-2019	15-Aug-2019	5,000,000	PFS	100%	5,000,000		
15-Aug-2019	15-Aug-24	2,500,000	Pilot plants	100%		2,500,000	
15-Aug-2019	15-Aug-24	7,500,000	Investor	100%		5,000,000	2,500,000

Source: Lake Annual Report 2022 pages 36 and 37

UKEF complained to Lake within days of the company making an ASX announcement.⁵ Lake received notification from UKEF of an EOI on July 23, 2021 and made an announcement to the ASX on August, 11 2021.⁶ UKEF complained to Lake on August, 13 objecting to Lake’s use of the term “Strong” to describe the EOI.

3 https://lakeresources.com.au/wp-content/uploads/2022/10/lke_annual-report_27-oct-22.pdf#page=39

4 https://lakeresources.com.au/wp-content/uploads/2022/10/lke_annual-report_27-oct-22.pdf#page=38
See page 36 in table under “Performance rights” and column “No vested during the year not exercised” third row and see also page 94 Notes to financial 19 (a) (ii) first row in table.

5 See [Annex D](#)

6 https://lakeresources.com.au/wp-content/uploads/2021/08/lke_kachi-project-finance_11-aug-21.pdf and [Annex A](#)

UKEF also objected to the term “finance” being used for Lake’s proposed expanded production. It was also explicit in saying that the EOI was not a “vote of confidence” in the “ESG benefits at Kachi” as they are yet to be evaluated. Press and research reports subsequently quoted “Strong Expression of Interest” when discussing the announcement.

Lake’s Spin

ASX ANNOUNCEMENT

LAKE RESOURCES
CLEANER LITHIUM
ELECTRIC WORLD

11 August 2021

Kachi Project Finance – Strong Expression of Interest to Fund Project to approximately 70% of total Kachi Project funding requirements

- UK Export Finance, the Export Credit Agency of the United Kingdom, has provided a strong Expression of Interest to support approximately 70% of the total finance required for Lake’s flagship Kachi Lithium Project, subject to standard project finance terms.
- Finance available to support expanded production to 50,000 tpa of high purity lithium carbonate equivalent, amid accelerating demand for battery-grade lithium.
- UKEF’s Expression of Interest will encourage a UK-led sourcing strategy while allowing flexibility for other leading ECAs to participate.
- ECA backing provides significantly lower cost of capital than traditional debt financing and demonstrates a vote of confidence in clean lithium technology and its ESG benefits at Kachi.

UK Export Finance Objections

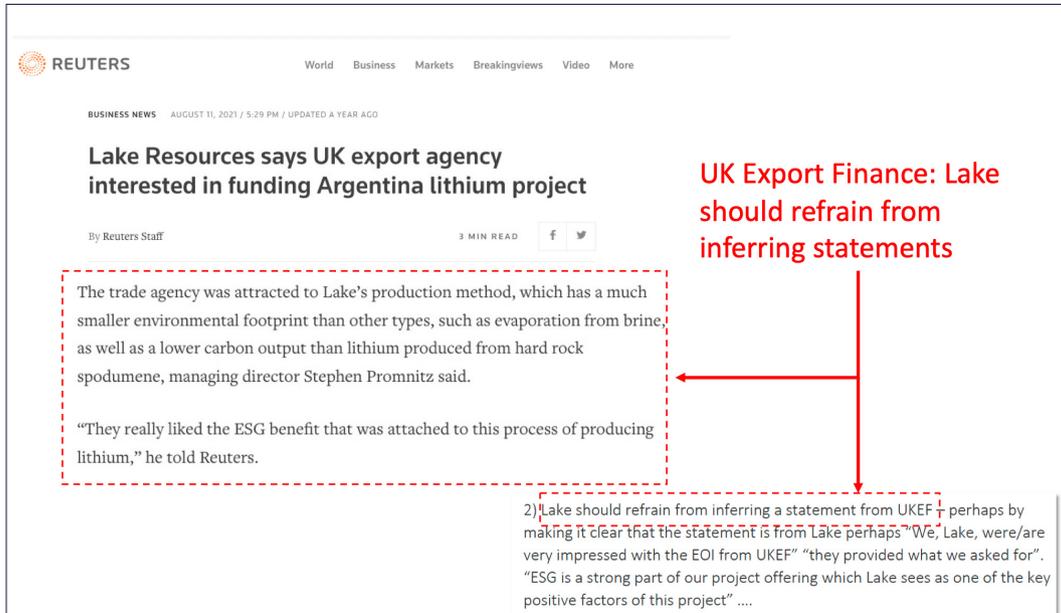
1. Don’t use **“Strong”** Expression of Interest
2. Don’t use **“finance”** say **“support”**
3. Don’t say it is a **“vote of confidence”** for **“ESG benefits at Kachi”** as the UKEF has yet to evaluate the ESG benefits

- Your preference would not to have seen in the headline the adjective “strong” to describe how Lake sees the EOI and “finance” in the 2nd bullet point – that UKEF would have preferred something like “support available” to cover expanded production....”
- The ESG benefits still needed to be evaluated – something UKEF have not, as yet, undertaken.

Source: [Lake Announcement August, 12 2021](#), Appendix D

On the same day as the ASX announcement, Stephen Promnitz gave an interview to Reuters.⁷ In that interview he said “They [UKEF] really liked the ESG benefit that was attached to this process of producing lithium”. In response UKEF requested “Lake should refrain from inferring a statement from UKEF”. The statement made by Mr Promnitz to Reuters was factually wrong, as the UKEF explicitly stated that it has yet to evaluate the ESG benefits.

7 <https://www.reuters.com/article/lake-resources-lithium-kachi-idUSL4N2P11RE>



Source: [Reuters article August 11, 2021](https://www.reuters.com/article/uk-kef-lake-resources/uk-kef-lake-resources-idUKKBN26Z0001)

Promnitz in an interview after the announcement of the UKEF EOI made the following comments:⁸

"It is quite unusual for any debt financier to provide that sort of support when we haven't actually finished our definitive feasibility study."

"It is a real vote of support and I would have to say in my 35 to 40 years or so in energy and natural resources I have never actually seen something that is this bold."

"It should say to the market this project is happening and it is happening soon."

In the document released by UKEF it stated clearly to Lake that its standard response to any further press enquiries about the project would be the following:

"UKEF routinely makes expressions of interest at the start of the application process and only commits to participating in a project once all of the relevant detailed due diligence has been completed and approvals have been obtained. We do not comment on early stage enquires."

⁸ <https://stockhead.com.au/stockhead-tv/market-movers-barry-fitzgerald-interviews-stephen-promnitz-md-of-lake-resources-asx/ike/>

Since making these statements Promnitz has left Lake and, according to the Australian Financial Review, is said to have sold his shares in the company.⁹

Lake Resources documents released by UK Export Finance

Document Description	Document Link
UKEF's letter of 22 July 2021 regarding the Lithium Brine Extraction Project in Kachi;	Annex A
A memo from GKB Ventures to UKEF about the Kachi Project	Annex B
An email chain of correspondence between Lake Resources' ECA agent and UKEF staff concerning Lake Resources, up to 11 August 2021	Annex C
A further email chain of correspondence between Lake Resources' ECA agent and UKEF staff concerning Lake Resources, from 12 August 2021 - 1 March 2022	Annex D
The attachment referred to in the email on Page 1 of Annex D	Annex E
An additional email chain of correspondence between Lake Resources' ECA agent and UKEF staff concerning Lake Resources from 30 May 2022 - 17 June 2022	Annex F

Source: UKEF

⁹ <https://www.afr.com/markets/equity-markets/lake-resources-plunge-exposes-concerns-about-asx-200-index-20220623-p5aw27>



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