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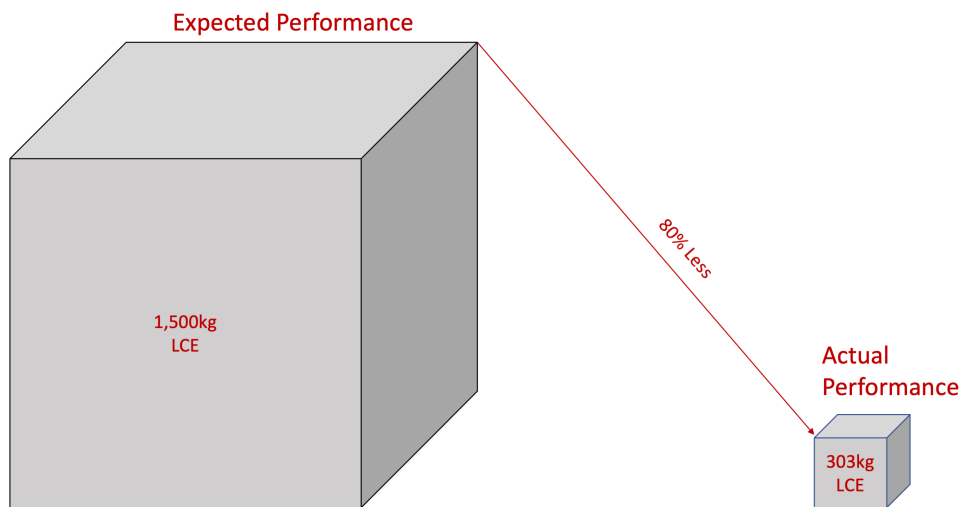
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Is Lake Looking for a New Technology Partner?

One of the first actions of Lake Resources' (Lake) new CEO, David Dickson, was to contact Chinese-listed Sunresin (3000487 SZSE) to ask if Lake could explore the use of their direct lithium extraction (DLE) technology. We have confirmed this with multiple sources, including Sunresin. If Lake is reaching out to alternative technology suppliers and going back to the drawing board for its technological solution for DLE, then investors deserve to know about it. Lake should advise investors if Kachi brine will be evaluated by alternative DLE technology partners for the extraction of lithium.

Lake's Kachi Project Update Reveals Pilot Plant Dramatically Underperforming



Expected performance = (2,500kg LCE)x(600hr/1,000hr)=1,500kg LCE, Actual Performance = (((0.19%+0.38%)/2))x20,000Lx5.323=303kg LCE

Source: Lake Kachi Update November 21

Lake's Kachi Project Update released to the market on November 21 confirmed that Lilac technology has serious performance problems.¹ Lake said on September 14 that the pilot project was expected to produce 2,500kg of lithium carbonate equivalent (LCE) after 1,000 hours of operation. The November 21 announcement would indicate that approximately 303kg LCE has been produced after 600 hours of operation. That is 80% less than expectation. Should this underperformance continue, it will likely have a negative impact on the economic performance of the project.

It appears there may also be a quality problem with the lithium concentrate produced at the pilot plant to date. We estimate the first 2,000 liters of lithium concentrate was produced by the end of October and still has not been shipped 30 days later. Lake has not provided an explanation for this delay. On September 19, Lake said that it will send 2,000 liters of lithium concentrate for conversion into lithium carbonate once Lilac has produced it. Despite Lake's report on November 21 that the pilot plant has produced 20,000 liters of concentrate in 600 hours of operation, the 2,000 litres of lithium concentrate has not been dispatched for conversion.

On November 21, the company said, "Lilac Solutions is preparing samples for shipment to Saltworks and Lilac's facility in Oakland CA for conversion into Lithium Carbonate." At the Lake AGM on November 29, the Chairman said, "*But we will hope to have a smaller sample shift in the very near future for conversion into lithium carbonate.*" At the AGM the Chairman stated that:

"I think it's fair to say that the actual test work to deliver the volume of concentrates that we need to deliver the 2,500 tonnes is anticipated to be completed in this year, but converting those, the larger samples into lithium carbonate will take some time and I expect some time I'm guessing first quarter next year."

Lake should be clear with investors about why they have delayed the first shipment of 2,000 liters and why it will take up to three months to process the lithium carbonate from the lithium concentrate that is currently being produced at the site. Is there a quality problem with the lithium concentrate being produced by Lilac that creates difficulty for processing it into lithium carbonate?

When "Confirmed" is Not Confirmed

Lake is now being clear about the status of the UK Export Finance funding. At the AGM, the chairman walked back the statement from the Annual Report that funding was "confirmed" and stated that it was "not confirmed." The FOIA documents,

1 https://lakeresources.com.au/wp-content/uploads/2022/11/lke_kachi-update_21-nov-22.pdf

which we recently published, gave the official view of UKEF that Lake “*is at the start of the application process.*”

Lake Annual Report states debt funding “has been confirmed”

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.

Lake Chairman at AGM states debt funding is “not confirmed”

*“Net debt facility from the export credit agencies that the UK and Canada through EDC and UKEF is currently an expression of interest. And whilst **it's not confirmed** or final at this stage, it is an ongoing discussion that we're having with them. There are a standard set of conditions precedent that we will need to achieve in order to draw down that funding.”*

Source: Lake Annual Report 2022, Lake AGM November 29, 2022 Bloomberg transcript

Lake has cleared up that Ford and Hanwa are no longer negotiating offtake agreements. Lake announced the agreements with great fanfare then quietly stopped mentioning them in early October 2022. At the AGM, Lake's Chairman had this to say:

“...some other points of interest within the offtake agreements, we have had publicly announced non-binding MOUs with two other companies. What happened in that situation was that those agreements move through their exclusivity period, and we open the offtake discussions with other parties, and then became a commercial negotiation six different people, and it was a case of who ever got over the line with the agreed terms first we secure the off taker. So this is why SK and WMC Energy have prevailed, and we've subsequently closed also that uptake discussions with other parties.”

We find it curious that Lake implies Ford was not fast enough to act, when in the same time frame, Ford was able to reach a negotiated **binding** offtake agreement with ASX-listed Ioneer (INR).²

Lake has said the dispute with Lilac was resolved with a contract amendment but not provided any details about those amendments, such as performance criteria or timeline. When pressed at the AGM, the chairman refused to disclose any further information.

² <https://wcsecure.weblink.com.au/pdf/INR/02544357.pdf>



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