Lithium Power International

INITIATION REPORT

Resource upgrade to strengthen Maricunga project

Overview

The Maricunga Project is considered the most advanced pre-production lithium brine projects in Chile. And with a string of strong recent results it is potentially shaping up as one of the premium development lithium brine projects in the world.

Maricunga is one of the highest grade lithium brine projects globally with an average resource grade of 1,250mg/l. The company recently completed an 18 hole-drill program to expand the current resource (574kt LCE). The results were impressive, as the average grade exceed 1,000mg/l, with the majority of holes mineralised from surface to a depth of 200m. A resource upgrade is due during the 2Q17.

This program included a 360m deep drill hole. The hole encountered an average lithium grade of 975 mg/l over a 336m interval (peak assay 1,614 mg/l lithium and 10,610 mg/l potassium). This hole remains open at depth.

The Project is supported by excellent existing infrastructure due to the projects location near the Chile – Argentina boarder. This includes a national highway, nearby powerline as well as a skilled workforce within driving distance.

Investment View

With a string of highly promising exploration results during 1Q17, and with news flow on-going in the year ahead, Lithium Power could be on the verge of a significant re-rating given the potential that is beginning to show at the Maricunga Project.

The exploration program which was completed earlier this year, exceeding our expectations, as the high grade nature of the deposit was maintained, whilst extending the mineralised zone both along strike as well as at depth. We believe this should see the resource at least triple (1.5Mt LCE - TSI assumption) in the coming months (2Q17).

This update, will however, not include the deep drill hole, which nearly doubled the depth of the known mineralisation. This result highlights the long-term potential for the Maricunga mine life to potentially double again in size or alternatively increase the long term production rate (TSI assumption - 20ktpa LCE).

Other results have also been promising, including flow test work (25L - 38L / sec) which were some of the highest publicly released results for a lithium brine project in South America, whilst the evaporation rate was also impressive (brine concentration increased 5 times in 3 months).

Valuation

We have determined a base case valuation for Lithium Power of $1.10 / share, (share price $0.30 / share). Full details of our valuation analysis including our key assumptions can be viewed at http://thesophisticatedinvestor.com.au.
Lithium Power International Ltd

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<thead>
<tr>
<th>Company Ticker</th>
<th>LPI.ASX</th>
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<tbody>
<tr>
<td>Cash &amp; Investment - (April 17) (A$ m)</td>
<td>12.0</td>
</tr>
<tr>
<td>Debt - (April 17) (A$ m)</td>
<td>0.0</td>
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<tr>
<td>EV (A$M)</td>
<td>46.6</td>
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<tr>
<td>Valuation/share (A$)</td>
<td>1.10</td>
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<tr>
<td>Intrinsic Value - TSI (A$M)</td>
<td>360.9</td>
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<tr>
<td>Implied Return (%)</td>
<td>265%</td>
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<tr>
<td>P/NAV (x)</td>
<td>0.27</td>
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<tr>
<td>Shares on issue - current (m)</td>
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<tr>
<td>Debt - (April 17) (A$ m)</td>
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<tr>
<td>Market Cap (A$M)</td>
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<tr>
<td>Industry</td>
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<tr>
<td>Stage of Development</td>
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<td>Project Location</td>
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**Valuation**

- **Total NAV**: $360.9
- **Share Price**: 0.30
- **EV (A$m)**: 46.6
- **Market Cap (A$m)**: 58.6
- **Intrinsic Value - TSI (A$m)**: 360.9
- **Implied Return (%)**: 265%
- **P/NAV (x)**: 0.27

**Performance**

- **LCE produced (t)**: 0
- **Operating Costs**: 0
- **EBITDA**: (-$6.1)
- **Depreciation**: $0.0
- **Interest Expense**: $0.0
- **Tax**: $0.0
- **Profit (loss) after tax**: (-$6.1)
- **Balance Sheet (A$ m)**:
  - **Assets**: $106.6
  - **Total Assets**: $149.1
  - **Liabilities**: $180.4
- **Cash flow Generation**:
  - **Cash flow generated**: ($6.1)
  - **Equity Placement**: $69.4
  - **Capital Expenditure**: $116.9

**Sensitivity Analysis**

- **LCE produced (t)**
  - **Base Case**: 0
  - **Triple upside**: 21,000
  - **Triple downside**: 0

- **LCE (US$ / t)**
  - **Base Case**: $10,000
  - **Triple upside**: $15,000
  - **Triple downside**: $5,000

- **Grade (%)**
  - **Base Case**: 1,250
  - **Triple upside**: 1,250
  - **Triple downside**: 1,250

**Year end: 30 June**

**Production Profile - 100% project**

- **Cash costs (US$ / t of Lithium produced)**
  - **Base Case**: $4,215
  - **Triple upside**: $6,000
  - **Triple downside**: $2,000

**Market Cap (A$m)**

- **Share Price (A$)**: 0.30
- **EV (A$m)**: 46.6
- **Market Cap (A$m)**: 58.6
- **Valuation/share (A$)**: 1.10
- **Intrinsic Value - TSI (A$m)**: 360.9
- **Implied Return (%)**: 265%
- **P/NAV (x)**: 0.27

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