

# Lithium Power International

## INITIATION REPORT

### Resource upgrade to strengthen Maricunga project **Mining - Development**

#### 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>.

#### May 2017

Share Price	A\$0.30
TSI Valuation	A\$1.10
Implied Return	265%

#### Company Information

ASX Code	LPI
Ord Shares	195.4M
Market Cap	A\$59M
Cash & Inv. (April 17)	A\$12M
Total Debt (April 17)	A\$0M

#### Board & Management

Mr David Hannon	Chairman
Mr Martin Holland	CEO
Mr Andrew Phillips	Exec Dir
Dr Luis Ignacio Silva	Non-Exec
Mr Reccared Fertig	Non-Exec
Mr Russell Barwick	Non-Exec

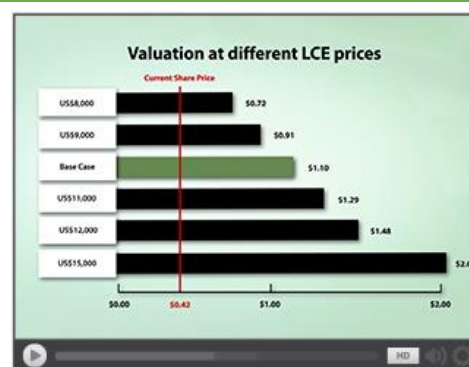
#### Substantial Shareholders

Founders and Directors	37.3%
Chilean JV Partner	9.7%

#### Share Price

52 week High	\$0.51
52 week Low	\$0.20
3m avg dail vol	564k
3m avg daily value	187k

#### Initiation Video



Lithium Power International Ltd									
<b>Company Ticker</b>	LPI.ASX	<b>Cash &amp; Investment - (April 17) (A\$ m)</b>	12.0						
<b>Shares on issue - current (m)</b>	195.4	<b>Debt - (April 17) (A\$ m)</b>	0.0						
<b>Share Price (A\$)</b>	0.30	<b>EV (A\$m)</b>	46.6						
<b>Market Cap (A\$m)</b>	58.6	<b>Valuation/share (A\$)</b>	1.10						
<b>Industry</b>	Lithium	<b>Intrinsic Value - TSI (A\$m)</b>	360.9						
<b>Stage of Development</b>	Dev.	<b>Implied Return (%)</b>	265%						
<b>Project Location</b>	Chile	<b>P/NAV (x)</b>	0.27						
Year end: 30 June									
Valuation	Disc' rate	Ownership	Valuation (A\$m)	Valuation / share (A\$)*	Price Assumptions	2020	2021	2022	2023
Maricunga - Base Case	10.0%	50%	\$193.9	\$0.590	LCE (US\$ / t)	\$10,000	\$10,000	\$10,000	\$10,000
Exploration			\$40.0	\$0.120	LCE (A\$ / t)	\$13,514	\$13,514	\$13,514	\$13,514
Other Assets			\$25.0	\$0.080	FX (A\$:USD\$)	\$0.74	\$0.74	\$0.74	\$0.74
Unpaid cap. & new equity			\$90.0	\$0.270					
Current Cash & Investment			\$12.0	\$0.036					
<b>Total NAV</b>			<b>\$360.9</b>	<b>\$1.10</b>	<b>Production Profile - 100% project</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
* Fully diluted for project development & options				330.6	Contained LCE Pumped	21,000	39,000	40,000	40,000
**Inclusive of tax & corporate costs					Grade (%)	1,250	1,250	1,250	1,250
<b>Sensitivity Analysis</b>					Evaporation period (months)	12	12	12	12
US\$15,000 LCE					Recovery (%)	0.0%	50.0%	50.0%	50.0%
Triple upside					LCE produced (t)	0	10,500	19,500	20,000
US\$12,000 LCE					<b>Cash costs (USD\$) / t of Lithium produced</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
22% tax rate (local)					Operating Costs	\$0	\$4,215	\$3,085	\$3,050
Potash Credit					<b>Financial Ratios</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
Decrease Opex - 10%					EPS (A\$)	<b>(-\$0.02)</b>	\$0.03	\$0.14	\$0.14
Base Case					FCFPS (A\$)	<b>(-\$0.37)</b>	\$0.07	\$0.18	\$0.18
Increase Capex - 10%					P/E ratio (x)	<b>-14.0</b>	9.1	2.1	2.1
US\$9,000 LCE					P/FCF (x)	<b>-0.8</b>	4.3	1.7	1.7
Triple downside					Shares on issue (m)	331	331	331	331
					<b>Earnings (A\$ m)</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
					Revenue & other Inc.	\$0.0	\$70.9	\$131.8	\$135.1
					Operating Costs	\$0.0	\$32.0	\$44.6	\$45.3
					Other Expenses	\$2.7	\$5.4	\$5.4	\$5.4
					Exp & Eval	\$3.4	\$0.7	\$0.7	\$0.7
					EBITDA	<b>(-\$6.1)</b>	\$32.8	\$81.1	\$83.8
					Depreciation	\$0.0	\$14.6	\$14.8	\$14.9
					Interest Expense	\$0.0	\$7.3	\$6.4	\$4.9
					Tax	\$0.0	\$0.0	\$13.1	\$17.3
					Profit (loss) after tax	<b>(-\$6.1)</b>	\$10.9	\$46.8	\$46.7
					<b>Balance Sheet (A\$ m)</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
					<b>Assets</b>				
					PPE & Exp. & Dev.	\$95.5	\$88.9	\$82.3	\$75.6
					Total Assets	\$106.6	\$117.6	\$149.1	\$180.4
					<b>Liabilities</b>				
					Debt Facility	\$104.2	\$99.0	\$78.1	\$57.3
					<b>Cash flow Generation</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
					Cash flow generated	<b>(-\$6.1)</b>	\$17.6	\$38.0	\$38.1
					Equity Placement	\$69.4	\$0.0	\$0.0	\$0.0
					Capital Expenditure	\$116.9	\$2.7	\$2.7	\$2.7

Source: Company Data, TSI Assumptions

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of short, informative videos. We possess specialist equity analyst skills and are complemented by video professionals. We conduct site visits and interview management, in a way most investors simply aren't able to access. Finally, we promote long term value creation for investors by employing detailed financial analysis and intrinsic value calculations.

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