**Initiation of Coverage**

**On the charge in Chile**

LPI expects to shortly finalise its 50% interest in Minera Salar Blanco, a JV between a private Chilean company, and Bearing Lithium Corp (BRZ:TSXV | Not Rated), owner and operator of the Maricunga lithium brine project, located in the north of investment-friendly Chile. The favourable chemistry, proximity to infrastructure, and strategic nature of the concessions make Maricunga one of the highest quality brine projects in development, in our view. We initiate coverage with a SPECULATIVE BUY rating, with our target price implying a potential return of 84%.

**Maricunga - one of the highest grade lithium brine deposits in the world:** The Maricunga lithium brine project is located in the Atacama region of Chile, and hosts a high grade resource of 2.15Mt LCE at 1,153ppm Li (making it second only behind the world class Salar de Atacama in terms of lithium grades). The deposit has favourable chemistry and excellent access to infrastructure including grid power, labour/services, and relatively short transport routes to shipping ports.

**Maricunga has significant strategic value:** Lithium is currently classified as a non-concessional mineral in Chile, with production restricted to state-owned entities or those operating under Special Operating Contracts. The JV concessions are granted under grandfathered Mining Codes, meaning no restrictions on lithium production from certain tenements, and are immediately adjacent to large concessions owned by major companies SQM and Codelco. Unlike other Chilean lithium operations (where production rights are leased from state-owned CORFO), concessions at Maricunga are owned outright, thereby avoiding production quotas/high royalties. Downstream lithium users have already shown an interest in the project, with Chinese auto maker Fulin Group having reportedly indicated such.

**PEA expected to confirm development opportunity and production before the end of 2017:** LPI, through the JV, is planning to release the outcomes of a PEA for the project, which is being scoped as a 20ktpa conventional lithium brine project (plus potash byproducts). We estimate the potential for C1 costs of <US$3,000/t, placing Maricunga at the lower end of the global cost curve.

**Well capitalised through to completion of DFS and FID:** Following a recent capital raising, LPI now has a solid balance sheet with cash of ~A$37m. We believe this is more than sufficient to complete its earn-in (US$7.5m), which in turn funds the JV through completion of a DFS to financing/FID (currently expected 1H'19).

**Valuation**

Our project valuation assumes a production scenario at Maricunga comprising a US $490m, 20ktpa Li2CO3 operation, with average C1 costs of US$2,790/t. Our model assumes a “mine” life of 33 years, with production commencing in mid-2021, followed by a 24-month ramp-up period. Using our Li2CO3 price deck, we estimate an NPV_{10\%} (current period) of US$533m.

Our NAV based target price of A$0.95 (rounded) comprises a 50% interest in our Maricunga NPV (risked to 65% to account for financing/feasibility/development risks), a nominal amount ascribed to LPI’s Australian hard rock exploration assets, net of corporate and other adjustments.
Figure 1: LPI Financial Summary

FINANCIAL SUMMARY
Lithium Power International LPI:ASX
Analyst: Reg Spencer
Date: 8/12/2017
Year End: June

Market Information
Share Price A$ 0.52
Market Capitalisation A$m 134.3
12 Month H A$ 0.68
12 Month Lo A$ 0.23
Issued Capital m 260.7
Options m 69.8
Fully Diluted m 330.5

Valuation
$m Risk adj Equity A$m A$/share
Maricunga 533.3 65% 50% 230.9 0.79
Exploration 10.0 13.3 0.05
Corporate (16.3) (16.3) (0.06)
Cash 37.5 37.5 0.13
PM options 7.4 7.4 0.03
TOTAL 571.9 272.8 0.93
P/NAV 0.55a
Price Target 0.95

Valuation Sensitivity

Production Metrics
Maricunga (100%)
Lithium Carbonate (kt) 0.0 0.0 0.0 0.0
Cash Costs (US$/t) 0 0 0 0

Reserves & Resources
Area km² Thickness metres Volume km³ Grade ppm Li LCE(MI)
Maricunga (100%)
Measured 18.9 158 0.15 1,174 0.94
Indicated 6.6 194 0.14 1,071 0.80
Inferred 14.4 46 0.06 1,289 0.41
TOTAL 40.0 133 0.35 1,153 2.15

Directors & Management
Name Position
D Hannan NE Chairman
M Holland Managing Director/CEO
R Barwick NE Director
R Fertig NE Director
Dr L Silva NE Director
A Phillips NE Director

Substantial Shareholders
Shares (m) %
Board & Management 58.50 22.4%
Minera Salar Blanco SpA 15.60 6.0%

Company Description
Lithium Power International is an Australian company focused on the exploration and development of lithium projects. Its key asset is a 50% interest in the Maricunga JV, owner of the Maricunga lithium brine project in Chile. The project features a high grade resource, with studies underway to assess the potential for 20kpa LCE production.

Profit & Loss (US$m)
FY17a FY18e FY19e FY20e
Revenue 0.0 0.0 0.0 0.0
Operating Costs 0.0 0.0 0.0 0.0
Royalties 0.0 0.0 0.0 0.0
Corporate & O'heds 1.6 2.3 2.4 2.4
Exploration (Expensed) 0.0 0.4 0.6 0.6
EBITDA -1.6 -2.7 -3.0 -3.0
Depn 0.0 0.0 0.0 0.0
EBIT -1.6 -2.7 -3.0 -3.0
Net Interest 0.0 0.4 0.5 0.5
Pre Tax Profit -1.6 -2.3 -2.4 -2.5
Tax 0.0 0.0 0.0 0.0
Share Profit (loss) in Assoc. 0.0 0.0 0.0 0.0
NPAT -1.6 -2.3 -2.4 -2.5
Abnormals 0.0 0.0 0.0 0.0
NPAT (reported) -1.6 -2.3 -2.4 -2.5

Cash Flow (US$m)
FY17a FY18e FY19e FY20e
Cash Receipts 0.0 0.0 0.0 0.0
Cash paid to supp's & emp'ees -1.6 -2.3 -2.4 -2.4
Tax Paid 0.0 0.0 0.0 0.0
Net Interest paid 0.0 0.4 0.5 0.5
Other -0.0 -0.1 -0.0 -0.0
Operating Cash Flow -1.6 -2.0 -1.9 -1.9
Exploration and Evaluation -1.0 -0.8 -0.8 -0.8
Capex 0.0 0.0 0.0 0.0
JV Divs & Other -23.9 -3.9 -4.4 -0.0
Investing Cash Flow -25.0 -4.7 -5.2 -0.8
Debt Drawdown (repayment) 0.0 0.0 0.0 0.0
Share capital 25.3 35.8 0.0 1.6
Dividends 0.0 0.0 0.0 0.0
Financing Expenses -2.4 -1.5 -0.0 -0.0
Financing Cash Flow 23.0 34.3 0.0 1.6
Opening Cash 7.2 36.3 31.3 24.2
Increase / (Decrease) in cash -3.6 27.6 7.1 -1.1
FX Impact 0.0 0.0 0.0 0.0
Closing Cash 3.6 31.3 24.2 23.1

Balance Sheet (US$m)
FY17a FY18e FY19e FY20e
Cash + S/term Deposits 3.6 31.3 24.2 23.1
Other current assets 0.4 0.0 0.0 0.0
Current Assets 4.0 31.3 24.2 23.1
Property, Plant & Equip. 0.0 0.0 0.0 0.0
Exploration & Develop. 1.5 1.9 2.1 2.3
Other Non-current Assets 37.5 42.5 46.9 46.9
Payables 8.0 2.5 2.5 2.5
Short Term debt 0.0 0.0 0.0 0.0
Long Term Debt 0.0 0.0 0.0 0.0
Other Liabilities 0.0 9.3 9.3 9.3
Net Assets 30.3 63.8 61.4 60.5
Shareholders Funds 37.3 73.1 73.1 74.7
Reserves 0.0 2.1 2.1 2.1
Retained Earnings -9.1 -11.5 -13.9 -16.4
Total Equity 30.3 63.8 61.4 60.5

Ratios & Multiples
FY17a FY18e FY19e FY20e
EBITDA Margin nm nm nm nm
Leverage nm nm nm nm
Op Cashflow/Share $0.01 -$0.01 -$0.01 -$0.01
P/CF nm nm nm nm
EPS $0.01 -$0.01 -$0.01 -$0.01
EPS Growth nm nm nm nm
PER nm nm nm nm
Dividend Per Share $0.00 $0.00 $0.00 $0.00
Dividend Yield % 0% 0% 0% 0%
ROE % 5% 4% 4% 4%
ROIC % 4% 4% 4% 4%
Debt/Equity % 0% 0% 0% 0%
Net Interest Cover nm nm nm nm
Book Value/share $0.15 $0.24 $0.24 $0.23
Price/Book Value 3.3x 2.1x 2.2x 2.2x

Rating: SPEC BUYS
Target Price: A$0.95

Source: Company Reports, Canaccord Genuity estimates
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Lithium in 8 key charts

Figure 2: Significant increase in Li-ion battery output expected to support rapidly growing EV and energy storage markets; overall battery output estimated to increase by +570% to 2025 and grow at a CAGR of 20%; EV market share expected to grow from 28% in 2017 to 49% in 2025.

Source: Canaccord Genuity estimates

Figure 3: Passenger EV sales expected to increase from <1% in 2016 to 13% in 2025. Auto industry has set aggressive targets for electrification at 15-25% of global sales within ~10 years – could be aggressive target based on potential for raw material supply shortfalls; CG forecast a passenger EV penetration rate of 13% by 2025.

Source: Canaccord Genuity estimates

Figure 4: China (world’s largest auto market) is forecast to remain the largest market for EV’s with an estimated market share of ~50% from 2017-2025, with EV penetration rates expected to increase from ~1.5% to +20% by 2025.

Source: Company Reports, Canaccord Genuity estimates

Figure 5: Based on the positive outlooks for EV’s and energy storage, we estimate lithium demand will increase by +230% by 2025, and grow at ~15% CAGR. This could prove conservative as we assume an average EV battery size of 40kWh...

Source: Company Reports, Canaccord Genuity estimates
Figure 6: The mine supply pipeline is beginning to fill out. However, new supply has shown a propensity to be delayed with extended commissioning/ramp ups, so capacity utilisation rates are likely to be significantly less.

Figure 7: Despite the growing project pipeline, supply still may fall short of demand by the mid-2020’s as EV’s sales start to rise rapidly (lower battery costs and larger product range). By 2025, we estimate the market will require an additional +635kt LCE of mine supply to meet our demand forecasts, requiring at least 25 new projects (~3 per year) with avg capacity of 25ktpa LCE.

Figure 8: Our cost curve/incentive price analysis suggests that lithium carbonate prices are likely to remain +US$10,000/t for the foreseeable future. We forecast hard rock lithium supply to comprise 55-65% of total global supply over the next decade, meaning converter plants will require sustained higher prices to incentivise investment in new capacity. Below chart represents CGe 2020 global cost curve.

Figure 9: Based on our SxD forecasts, we forecast tight market conditions to persist into 2018/19, with prices for concentrates and refined products to remain high. New supply in 2019-2021 is expected to see prices retreat; however, this should still permit robust operating margins for both brine and hard rock producers. Over the medium to long term, we forecast prices to trend higher as demand increases from EV’s and market surpluses unwind.

Source: Canaccord Genuity estimates

Speculative Buy Target Price A$0.95 | 10 December 2017
Lithium Power International – Highlights

**Maricunga – a high-quality lithium brine project...** Salar de Maricunga is located in the Atacama region of mining friendly Chile, and hosts one of the world’s highest-grade lithium brine resources at an average grade of +1,100 ppm Li (versus typical Argentinian brines at 300-700ppm Li, Figure 10). Brine chemistry is favourable (moderate Mg:Li ratio, low sulphates and boron, meaningful potassium content), while the project has good access to infrastructure including grid power, excellent road access, skilled personnel and services (regional mining centre of Copiapo ~170km from site) and relatively short transport distances to shipping ports.

![Figure 10: Lithium brine resource comparisons](image)

... that has the potential to get much larger: Maricunga currently hosts a total Measured, Indicated and Inferred Resource of 2.15Mt LCE, defined to a relatively shallow depth of 200m. Deep drilling undertaken in early 2017 identified brine bearing sediments at up to 350m depth, while geophysics suggest a possible basin depth of +500m. In our view, this supports the potential for significant increases in the Resource (and potential Reserves...) – LPI has published an additional Exploration Target of 1.0-2.5Mt LCE (Figure 11).

![Figure 11: Brine resource comparisons showing contained LCE and grade](image)

**Landholdings in the basin make Maricunga a highly strategic asset:** LPI, though its interest in the Maricunga JV (see page 6) controls ~2,500ha of concessions on the salar, with leading lithium producer Sociedad Quimica y Minera (SQM:NYSE | Not rated) and Chilean mining major Codelco also holding dominant positions (Figure 12). We highlight that the Maricunga JV properties are granted under grandfathered Mining Codes (meaning there are no restrictions on development and production on certain concessions), and are owned outright (meaning no production quotas or high royalties unlike the Salar de Atacama). Furthermore, the JV has secured most of the only suitable ground within the basin for the construction of evaporation ponds, potentially acting as a barrier to the development of Resources in adjacent properties held by SQM/Codelco.
Upcoming PEA to confirm development opportunity and medium-term production potential: We anticipate LPI to release the outcomes of a Preliminary Economic Assessment for the project before end CY17. The project is being scoped as an initial 20ktpa Li₂CO₃ project with potash by-products, with our analysis suggesting possible cash costs of <US$3,000/t (Figure 13), which would put the project in the first quartile of the global cost curve. Subject to financing and permitting, Maricunga could be in production by 2021/2022.

Upcoming catalysts:

- **Q4’17**: Preliminary Economic Assessment; Process flow sheet optimisation and product test sample results
- **Q1’18**: EIA submission development
- **Mid’18**: Definitive Feasibility Study
- **1H’19**: Permitting/Govt approvals; FID/financing

### CG Global Lithium Sector Coverage

<table>
<thead>
<tr>
<th>Company</th>
<th>Code</th>
<th>Type</th>
<th>Status</th>
<th>M/Cap</th>
<th>Price</th>
<th>Analyst</th>
<th>Rating</th>
<th>Target</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Altura Mining</td>
<td>AJM.ASX</td>
<td>Hard rock</td>
<td>Developer</td>
<td>$620.27</td>
<td>$0.36</td>
<td>Reg Spencer*</td>
<td>HOLD</td>
<td>$0.40</td>
<td>11%</td>
</tr>
<tr>
<td>Galaxy Resources</td>
<td>GXY.ASX</td>
<td>Hard rock/brine</td>
<td>Production</td>
<td>$1,359.20</td>
<td>$3.52</td>
<td>Reg Spencer*</td>
<td>BUY</td>
<td>$4.30</td>
<td>22%</td>
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<tr>
<td>Kidman Resources</td>
<td>KDR.ASX</td>
<td>Hard rock</td>
<td>Developer</td>
<td>$498.95</td>
<td>$1.45</td>
<td>Reg Spencer*</td>
<td>SPEC BUY</td>
<td>$2.00</td>
<td>38%</td>
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<tr>
<td>Orocobre</td>
<td>ORE.ASX</td>
<td>Brine</td>
<td>Production</td>
<td>$1,166.55</td>
<td>$5.71</td>
<td>Reg Spencer*</td>
<td>BUY</td>
<td>$6.65</td>
<td>16%</td>
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<tr>
<td>Lithium Power International</td>
<td>LPLASX</td>
<td>Brine</td>
<td>Developer</td>
<td>$134.27</td>
<td>$0.51</td>
<td>Reg Spencer*</td>
<td>SPEC BUY</td>
<td>$0.95</td>
<td>86%</td>
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<td>Hard rock</td>
<td>Developer</td>
<td>$1,442.20</td>
<td>$0.95</td>
<td>Larry Hill*</td>
<td>HOLD</td>
<td>$0.90</td>
<td>-5%</td>
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<td>Tawana Resources</td>
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<td>Hard rock</td>
<td>Developer</td>
<td>$171.46</td>
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<td>$0.60</td>
<td>74%</td>
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<td>Critical Elements</td>
<td>CRE.TSX</td>
<td>Hard rock</td>
<td>Developer</td>
<td>$234.13</td>
<td>$1.57</td>
<td>Eric Zaunscherb*</td>
<td>SPEC BUY</td>
<td>$2.00</td>
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<td>Lithium Americas</td>
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<td>Brine</td>
<td>Developer</td>
<td>$1,070.32</td>
<td>$12.10</td>
<td>Eric Zaunscherb*</td>
<td>HOLD</td>
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<td>-9%</td>
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<td>Lithium X Energy</td>
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<td>$2.50</td>
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<td>Nemaska Lithium</td>
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<td>Eric Zaunscherb*</td>
<td>SPEC BUY</td>
<td>$2.25</td>
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<td>NLC.TSX</td>
<td>Brine</td>
<td>Developer</td>
<td>$205.41</td>
<td>$2.06</td>
<td>Eric Zaunscherb*</td>
<td>SPEC BUY</td>
<td>$2.50</td>
<td>21%</td>
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<td>Bacanora Minerals</td>
<td>BCN.AIM</td>
<td>Clay</td>
<td>Developer</td>
<td>$123.32</td>
<td>92p</td>
<td>Tim Huff#</td>
<td>SPEC BUY</td>
<td>130p</td>
<td>41%</td>
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</table>

Source: Factset prices as at 8/12/2017, Canaccord Genuity estimates; * Canaccord Genuity (Australia) * Canaccord Genuity Corp (Canada) # Canaccord Genuity Limited (UK)
Company overview

- Lithium Power International is an Australian-based, diversified lithium development and exploration company. Its primary asset is a right to earn a 50% interest in the Maricunga Lithium brine JV. LPI listed on the ASX in May’16, having raised A$16m to advance varied hard rock lithium projects in Western Australia, and the Centenario lithium brine project in Argentina.

- LPI acquired its interest in the Maricunga JV in Jul’16, with a resource drilling program during late ‘16/early ’17 culminating in an updated Resource of 2.15Mt LCE at an average grade of 1,153ppm Li. The JV is currently completing a PEA/Feasibility Study for the project which will assess the viability of a conventional lithium brine operation with capacity of ~20ktpa Li$_2$CO$_3$ and potash by-products.

![Figure 15: Recent company milestones](source: Company Reports)

Asset overview

**Maricunga lithium brine JV, Argentina**

- The Maricunga lithium brine project is located in the Atacama region of Chile, and is owned and operated by Minera Salar Blanco S.A., a Joint Venture between LPI (earning up to 50%), private Chilean company Minera Blanco SpA ("MSB", diluting to 32.3%), and Bearing Lithium Corp (17.7%) (Figure 17). LPI retains a first right of refusal to acquire MSB’s 32.3% interest in the JV.
Lithium Power International Limited  
Initiation of Coverage

Figure 16: Maricunga project location map

Figure 17: Maricunga JV ownership structure

- LPI’s 50% interest in the JV remains subject to final earn-in payments totalling US$7.5m in three tranches prior to Sep’18. As of Nov’17, LPI had earned an effective interest of 36.2% via total payments of US$19.7m.

- Following the release of an updated resource in Oct’17 of 2.15Mt LCE, LPI expect to complete a PEA on the project for a possible 20ktpa conventional lithium carbonate operation by end 2017. A DFS is planned to be completed by mid-2018 with production (subject to permitting and financing) possible in 2021/22.
Other projects

- LPI’s other projects include:
  - Greenbushes: 400km$^2$ of tenements adjacent to Albemarle/Tianqi’s Greenbushes mine, the world largest hard rock lithium mine. Geophysical programs are planned for 2018 with a view to defining potential drill targets.
  - Pilgangoora/Tabba Tabba: granted exploration licences covering 203km$^2$, located proximal to Pilbara Minerals (PLS:ASX | rated HOLD by Larry Hill) and Altura Mining’s (AJM:ASX | Rated HOLD by Reg Spencer) Pilgangoora lithium development projects.
  - LPI agreed to terms on the divestment of its interests in the Centenario Salar (lithium brine) in Argentina to an unlisted company in Oct’17, for total consideration of up to A$4m (A$1m received, balance due by 30 Apr 2018) plus a 20-year, 1.5% gross royalty. Under certain circumstances, consideration may be paid in shares.

Corporate & Finance

Capital structure

- LPI currently has 261m shares on issue, of which 50.5m are subject to escrow (held predominantly by management). A break-down of the capital structure is shown in Figure 18 below.

![Figure 18: LPI capital structure](image)

| Issued shares | m | 210.5 |
| Escrowed shares | m | 50.5 |
| Total Issued Shares | m | 261.0 |
| A$0.55; 24/6/2020 | m | 34.6 |
| A$0.20; 29/6/2019 | m | 29.0 |
| A$0.60; 24/6/2021 | m | 0.2 |
| A$0.60; 29/6/2020 | m | 4.0 |
| Total Options | m | 67.8 |
| Fully Diluted | m | 328.8 |

Source: Company Reports.

Major shareholders

- LPI’s major shareholders comprise primarily existing Board and management, including CEO Martin Holland (8%), Chairman David Hannon via Chifley Portfolios (8%) and NED Ricky Fertig (6.8%). LPI’s Chilean JV partner, holds approximately 6% of the issued capital.

Balance sheet & cash flow

- LPI has an estimated A$37m in cash on hand, following a recent equity raising (A$15m at A$0.55) and the exercise of options which netted an additional ~A$20m.
  - Prior to this, LPI’s other recent financings are listed below, with funds raised devoted to JV earn in payments/JV drilling and feasibility costs.
    - Apr’17 - Equity placement of A$12m at $0.38
    - Oct’16 – Equity placement A$12m at $0.38
  - Following the recent financing, LPI has more than sufficient funding to complete its earn in to the JV (US$7.5m). We understand that the cash balance of the JV is approximately US$6m, which combined with the remaining earn in payment from LPI, should see the JV funded to complete feasibility and permitting costs.
Our cash flow forecasts make no assumption on financing for the development of the project at this stage. However, we highlight that should the $0.55 Jun’19 options be exercised, LPI would have liquidity of +$40m by Jun’19, providing a useful head start on any share of development capital costs.

**Figure 19: LPI cash flow and liquidity forecasts**

Valuation

The JV expects to complete a Preliminary Economic Assessment for the Maricunga project before end’17, with a planned capacity of 20ktpa Li$_2$CO$_3$ and ~75ktpa potash by-products. In advance of the release of the PEA, we have modelled a development and production scenario for Maricunga based on the key assumptions outlined in Figure 20.

**Figure 20: Maricunga – key model assumptions (100%)**

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Unit</th>
<th>Parameter</th>
<th>Unit</th>
<th>Unit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mineral inventory</td>
<td>Mt LCE</td>
<td>Wellfield flow rate</td>
<td>L/sec</td>
<td>216</td>
</tr>
<tr>
<td>Brine head grade</td>
<td>ppm Li</td>
<td>Avg Li process recovery</td>
<td>%</td>
<td>68</td>
</tr>
<tr>
<td>Mine life</td>
<td>yrs</td>
<td>Li$_2$CO$_3$ Production</td>
<td>ktpa</td>
<td>21</td>
</tr>
<tr>
<td>Establishment Capex</td>
<td>US$m</td>
<td>Potash production</td>
<td>ktpa</td>
<td>72</td>
</tr>
<tr>
<td>Construction start</td>
<td>mid’19</td>
<td>C1 costs (inc credits)</td>
<td>US$/t LC</td>
<td>2,790</td>
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<tr>
<td>Commissioning</td>
<td>mid’21</td>
<td>Potash price</td>
<td>US$/t</td>
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<tr>
<td>Ramp up</td>
<td>months</td>
<td></td>
<td></td>
<td>24</td>
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</tbody>
</table>

Source: Canaccord Genuity estimates

**Figure 21: Maricunga production & opex forecasts**

Source: Canaccord Genuity estimates; Jun year end
Based on our lithium carbonate pricing forecasts (Figure 22) and cash flow estimates from our modelled development and production scenario, we estimate Maricunga could generate average annual EBITDA (100%) of ~US$200m over a modelled “mine” life of 33 years.

From this, we estimate a post-tax project NPV10% for Maricunga (100%) of US$536m (current period), with an IRR of 24% and capital payback of ~4 years.

**Figure 22: Lithium carbonate pricing forecasts (LT from 2025)**

![Lithium carbonate pricing forecasts](image)

Source: Canaccord Genuity estimates

**Figure 23: Project cash generation (100%)**

![Project cash generation](image)

Source: Canaccord Genuity estimates

- Our per-share valuation is fully diluted for ITM options (33m at average A$0.23). Figure 24 details our NAV estimate for LPI, comprising a 50% attributable A$0.23. Our per-share valuation is fully diluted for ITM options (33m at average A$0.23). Figure 24 details our NAV estimate for LPI, comprising a 50% attributable share of our estimated NPV10%, a nominal value ascribed to LPI’s Australian hard rock exploration properties, net of corporate and other adjustments. Given capital/operating cost estimates and certain project parameters remain subject to feasibility studies, as well as development and financing risks, our project NPV has been risked to 65%.

- Our NAV of A$270m is based on a diluted share base of 294m shares, with our target price of A$0.95 (rounded) implying a potential return of 94%.

**Figure 24: NAV summary – LPI.ASX**

<table>
<thead>
<tr>
<th></th>
<th>$m</th>
<th>A$m</th>
<th>RISK ADJ.</th>
<th>EQUITY</th>
<th>ASM</th>
<th>PER SH.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maricunga</td>
<td>533.28</td>
<td>709.92</td>
<td>65%</td>
<td>50%</td>
<td>230.72</td>
<td>$0.79</td>
</tr>
<tr>
<td>Exploration</td>
<td>10.00</td>
<td>13.31</td>
<td></td>
<td>13.31</td>
<td>13.31</td>
<td>$0.05</td>
</tr>
<tr>
<td>Corporate</td>
<td>-16.30</td>
<td>-16.30</td>
<td></td>
<td>-16.30</td>
<td>-16.30</td>
<td>-0.06</td>
</tr>
<tr>
<td>Cash</td>
<td>37.52</td>
<td>37.52</td>
<td></td>
<td>37.52</td>
<td>37.52</td>
<td>$0.13</td>
</tr>
<tr>
<td>Debt</td>
<td>0.00</td>
<td>0.00</td>
<td></td>
<td>0.00</td>
<td>0.00</td>
<td>$0.00</td>
</tr>
<tr>
<td>ITM options</td>
<td>7.41</td>
<td>7.41</td>
<td></td>
<td>7.41</td>
<td>7.41</td>
<td>$0.03</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>571.91</td>
<td>751.86</td>
<td></td>
<td>272.67</td>
<td>A$0.93</td>
<td></td>
</tr>
</tbody>
</table>

Source: Canaccord Genuity estimates

- A valuation sensitivity to lithium carbonate prices, AUDUSD FX and NPV discount rate is shown on Page 2 of this report.
Maricunga Lithium Brine Project

Location, Access & Climate

- The project area is located 170km NE of the regional centre of Copiapó in the Atacama region of northern Chile, and lies ~250km west from the Chilean coast (Figure 25). The projects sits at an elevation 3,750m ASL, and is accessible by road via International Highway 31 (sealed and unsealed) which connects northern Chile and Argentina. Occasional high snowfalls in the mountains may close the highways for brief periods during the winter.

- The project area covers 2,563ha of mineralised ground on the salar, with major Chilean mining/chemical companies in CODELCO and SQM also holding concessions on the salar (Figure 26). The JV holds a further 1,800ha ~3km to the north of the salar as the planned site for the construction of evaporation ponds, process and plant facilities.
The climate at Maricunga is described as a high-altitude desert, with cold, dry winters and dry summers. Average annual temperatures range from 5-6°C. No long-term rainfall records are available for the region above 2,500m asl, but records from nearby weather stations suggest average annual rainfall of 100-150mm typically falling during January-February, and sometimes snow from May-September. Average evaporation rates are estimated at 2,100-2,400m per year.

Lithium in Chile

- Lithium is considered a non-concessionable mineral in Chile. As such, production is controlled by various legislative acts and regulations, which has established lithium as a strategic resource (due to its potential use in nuclear fusion (to derive tritium) or fission (use in molten salt nuclear reactors)). On this basis, lithium production in Chile is also regulated by the Chilean Nuclear Commission (CChEN).

- Under the above laws and regulations, lithium production can only be undertaken by state-owned companies, under Special Operating Contracts for Lithium (CEOL), or Administrative Concessions by private companies. We note that mineral tenements, including lithium concessions, registered under the 1938 Mining Law are “grandfathered” from the provisions of the 1982 Mining Law, meaning they do not require a CEOL to be exploited.

- In 2014, the Chilean Government established the National Lithium Commission to recommend a new state policy for the exploitation of lithium and promotion and development of new projects. This may also include mechanisms for holders of non-grandfathered concessions to advance their projects.

- Given the above restrictions on lithium production, there are currently no prescribed Government royalties, although the Government is currently reviewing a future royalty and permitting regime for lithium production. It should also be noted that royalties paid by operators on the salar de Atacama do so under lease agreements with the Government-owned Development Production Corporation CORFO (Corporacion de Fomento de la Produccion de Chile), who retain ownership of the concessions.
**Maricunga – permitting & development considerations**

- Of the total project area of 2,563ha, 1,125ha (see Figure 28 & 29) have been granted under the 1932 Mining Code, meaning that there are no restrictions on the production and sale of lithium. The remaining 1,439ha are granted concessions (Litio 1-6) under the 1983 Mining Code, whereby the production and sale of lithium requires a CEOL. However, the 1983 Code does allow production of minerals (i.e., potassium/potash) where lithium is a by-product. We anticipate a possible revision to current regulations in 2018, where the Chilean Government is expected to release new guidelines for the application of a CEOL to allow primary lithium production.

- It should also be noted that the JV owns the concessions outright, and as such, is not subject to any production quotas or royalties other than any prescribed by legislation (unlike SQM and Albemarle who lease lithium production rights in the Atacama from CORFO).

- Based on this, we consider the JV’s properties to be of significant strategic value.

**Figure 28: Maricunga JV mining concessions**

<table>
<thead>
<tr>
<th>Property</th>
<th>Role Number</th>
<th>Area (ha)</th>
<th>Registered Owner</th>
<th>Mining Code</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lito 1, al 20</td>
<td>03201-6516-4</td>
<td>131</td>
<td>SML Lito 1</td>
<td>1983</td>
</tr>
<tr>
<td>Lito 2, al 30</td>
<td>03201-6517-2</td>
<td>143</td>
<td>SML Lito 2</td>
<td>1983</td>
</tr>
<tr>
<td>Lito 3, al 58</td>
<td>03201-6519-0</td>
<td>286</td>
<td>SML Lito 3</td>
<td>1983</td>
</tr>
<tr>
<td>Lito 4, al 60</td>
<td>03201-6519-9</td>
<td>300</td>
<td>SML Lito 4</td>
<td>1983</td>
</tr>
<tr>
<td>Lito 5, al 60</td>
<td>03201-6520-2</td>
<td>297</td>
<td>SML Lito 5</td>
<td>1983</td>
</tr>
<tr>
<td>Lito 6, al 60</td>
<td>03201-6521-0</td>
<td>282</td>
<td>SML Lito 6</td>
<td>1983</td>
</tr>
<tr>
<td>Cocha 12-57</td>
<td>03201-2110-19</td>
<td>450</td>
<td>MSB</td>
<td>1932</td>
</tr>
<tr>
<td>San Francisco 1 al 10</td>
<td>03201-0006-2</td>
<td>425</td>
<td>MSB</td>
<td>1932</td>
</tr>
<tr>
<td>Desproctada 6 al 7</td>
<td>03201-0007-0</td>
<td>100</td>
<td>MSB</td>
<td>1932</td>
</tr>
<tr>
<td>Salamina 1 al 3</td>
<td>03201-0005-4</td>
<td>150</td>
<td>MSB</td>
<td>1932</td>
</tr>
<tr>
<td>Blanco*</td>
<td>N/A</td>
<td>1,800</td>
<td>MSB</td>
<td>1983</td>
</tr>
<tr>
<td>Camp*</td>
<td>N/A</td>
<td>100</td>
<td>MSB</td>
<td>1983</td>
</tr>
</tbody>
</table>

**Figure 29: Maricunga JV mining concession plan**

**Geology and Mineral Resources**

- The Maricunga salar is situated within a large drainage basin covering ~2,200km², surrounded by mountain ranges. The salar itself covers approximately 140km² in the northern sector of the basin, and is bounded by coarse grained alluvial/fluvial sediments.

- The salar features characteristics of both immature and mature closed basin salars. Immature salars typically feature higher levels of precipitation, and the
presence of fine grained sediments and evaporative halite beds indicating changes in sediment supply from variable tectonic and climate conditions. Conversely, mature salars see less precipitation/higher evaporation, and are characterised by a thick sequence of halite deposits, with variable silty/clay deposits (from ancient floods) and volcanic fallout in thin interbedded units.

- The Maricunga salar features a halite (salt) nucleus up to 34m thick in the central-northern section of the salar. The halite unit is underlain by a clay core with interbedded silt and silty sands. At depth lie two main, unconsolidated volcanoclastic units separated by a relatively thin but continuous sand unit. Drilling has been undertaken to a depth of 350m, while geophysics suggests basin depth extends to +500m. The key stratigraphic units are shown in Figure 30 below.

Figure 30: Section through Maricunga basin showing key stratigraphic units

- The Maricunga brine is highly saturated in sodium chloride (NaCl) with an average concentration of 311g/L of total dissolved solids, and average density of 1.2g/cm³. Chemical analysis of the brine shows a relatively high lithium content of +1,100ppm Li, as well as low levels of impurities such as sulphates and boron, partially offset by higher calcium and moderate magnesium content.
Figure 34: Maricunga brine chemistry

<table>
<thead>
<tr>
<th>Analyte</th>
<th>HCO₃⁻</th>
<th>B</th>
<th>Ca</th>
<th>Cl</th>
<th>Li</th>
<th>Mg</th>
<th>K</th>
<th>Na</th>
<th>SO₄</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units</td>
<td>mg/L as CaCO₃</td>
<td>mg/L</td>
<td>mg/L</td>
<td>mg/L</td>
<td>mg/L</td>
<td>mg/L</td>
<td>mg/L</td>
<td>mg/L</td>
<td>mg/L</td>
</tr>
<tr>
<td>Maximum</td>
<td>2,730</td>
<td>1,193</td>
<td>36,950</td>
<td>230,902</td>
<td>3,375</td>
<td>21,800</td>
<td>20,640</td>
<td>104,800</td>
<td>2,960</td>
</tr>
<tr>
<td>Average</td>
<td>471</td>
<td>596</td>
<td>13,490</td>
<td>190,930</td>
<td>1,123</td>
<td>7,337</td>
<td>8,237</td>
<td>85,190</td>
<td>709</td>
</tr>
<tr>
<td>Minimum</td>
<td>76</td>
<td>234</td>
<td>4,000</td>
<td>89,441</td>
<td>460</td>
<td>2,763</td>
<td>2,940</td>
<td>37,750</td>
<td>259</td>
</tr>
</tbody>
</table>

Source: Company reports

- Figures 35-38 below compares Maricunga’s brine chemistry with other South American salars. In several respects, Maricunga could be considered similar to the Atacama, with a high lithium content, moderate Mg:Li ratio, and comparatively low sulphate and boron levels. We also highlight Maricunga’s comparatively high potassium content, with resultant potash by products potentially offsetting increased reagent costs associated with removing higher Mg and Ca levels.

Figure 35: Lithium grades vs Magnesium (impurity) content

Figure 36: Mg:Li ratio vs Potassium grades (shows how potash by-products may offset additional costs associated with higher Mg)

Figure 37: Lithium grades vs Calcium (impurity) content

Figure 38: Other key impurities (sulphates, boron)

Source: Company Reports

Speculative Buy Target Price A$0.95 | 10 December 2017
Specialty Minerals and Metals 17
**Mineral Resources**

- An historical non-JORC/43-101 resource estimate was undertaken at Maricunga in the 1980s by CORFO (which does not control any mineral rights in the salar), which was based on shallow sampling in the northern part of the salar, estimated a contained resource of 1.1Mt LCE at a grade of +1,000ppm Li.

- The Maricunga JV completed a resource evaluation program during 2016/17 consisting of exploration drilling and well testing across the entire tenement package versus historical resource work which was split between the Litio 1-6 and Cocina properties. The program resulted in an updated Resource estimate of 2.15Mt LCE (based on a Li:Li₂CO₃ conversion factor of 5.323) at an average Li concentration of 1,153ppm (Figure 39). Key resource inputs include:
  - Pump tests have suggested a brine flow rate of between 25-45L/sec
  - Drainable porosities of 2.2% (in the clay core), 6.5% in the upper halite unit and +10% in the volcanoclastics
  - Defined to a depth of 200m

**Figure 39: Maricunga project resources**

<table>
<thead>
<tr>
<th>Area (sq km)</th>
<th>Thickness (m)</th>
<th>Yield (%)</th>
<th>Brine Vol (km²)</th>
<th>Li (mg/l)</th>
<th>K (mg/l)</th>
<th>Li (Mt)</th>
<th>LCE (Mt)</th>
<th>K (Mt)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measured</td>
<td>18.88</td>
<td>158.27</td>
<td>5.0%</td>
<td>0.15</td>
<td>1174</td>
<td>8646</td>
<td>0.18</td>
<td>0.94</td>
</tr>
<tr>
<td>Indicated</td>
<td>6.76</td>
<td>194.46</td>
<td>10.7%</td>
<td>0.14</td>
<td>1071</td>
<td>7491</td>
<td>0.15</td>
<td>0.80</td>
</tr>
<tr>
<td>Inferred</td>
<td>14.38</td>
<td>46.41</td>
<td>9.0%</td>
<td>0.06</td>
<td>1299</td>
<td>9859</td>
<td>0.08</td>
<td>0.41</td>
</tr>
<tr>
<td>TOTAL</td>
<td>40.02</td>
<td>133.05</td>
<td>8.75%</td>
<td>0.35</td>
<td>1,153</td>
<td>8,392</td>
<td>0.40</td>
<td>2.15</td>
</tr>
</tbody>
</table>

Source: Company reports, Canaccord Genuity estimates

- Based on the average resource grade, Maricunga ranks as the second highest grade lithium brine deposit known, behind the world famous salar de Atacama (Figure 40).

**Figure 40: South American lithium brines – resource comparisons (bubble size denotes contained LCE)**

Source: Company Reports, Canaccord Genuity estimates

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Speculative Buy  Target Price A$0.95  | 10 December 2017  
Specialty Minerals and Metals  

Lithium Power International Limited  
Initiation of Coverage
A breakdown of the resource according to lithological unit shows that more permeable material (i.e., demonstrates higher drainable porosity which facilitates brine flow rates) such as the upper halite and volcanoclastic units represents 86% of the total resource estimate.

- We understand that there is no major difference in brine chemistry between the different units, other than the upper halite zone which has significantly higher Li concentration (up to 2,000ppm in places).

Figure 41: Breakdown of Resource according to lithological unit

Source: Company Reports

Reserves

- There are currently no reserves defined for the project. A ground water monitoring network has been established across the Maricunga basin, which forms part of the baseline monitoring for the Environmental Impact Assessment. An updated hydrogeological model (including water balance) is being completed for the basin and is planned to form the basis for Reserves estimation and wellfield design as part of the Feasibility Study planned for completion in 2018.

Figure 42: Maricunga salar looking SE; monitoring well showing strong brine flow rates

Source: Canaccord Genuity Nov 17
Exploration – basin depth potential offers significant resource upside

- There has been limited deep drilling undertaken at Maricunga, supporting the potential for upside to current resources at depth. The JV completed a limited number of deep holes in early 2017 which intersected porous, brine bearing volcanoclastic sediments to a depth of +350m. Assays included hole S19 which averaged 975ppm Li, S18 1,382ppm Li and hole S2 which recorded 954ppm Li.
- This favourable horizon remains open at depth, with geophysics suggesting the basin may extend to depths greater than 500m (versus the limit of the current resource at 200m).
- Given the potential for this deeper unit to host lithium bearing brines, the JV has set an exploration target for the deeper basin units of an additional 1-2.5Mt LCE with a Li concentration range of 650-1,000ppm Li. Figure 43 below shows how Maricunga would rank among the most advanced lithium projects in terms of resource size/grade based on the upper-lower ends of the exploration target range.

Figure 43: 2012 Resource estimate vs 2017 Resource estimate vs Exploration Target

Source: Company Reports

Figure 44: Brine resource comparisons showing Maricunga ranking including lower-upper end of the exploration target range

Source: Company Reports, Canaccord Genuity estimates
**Project development & Production**

- The JV is in the final stages of completing a PEA/feasibility for the development of a conventional lithium brine operation with targeted capacity of 20ktpa Li₂CO₃ plus potash by products. The study is being undertaken to PFS accuracy standards (+/-25%), and is being managed by Tier-1, global engineering and consulting groups including Worley Parsons (engineering), Veolia, FLSmidth, GEA and SGS (production). Key aspects of project development are discussed below.

**Infrastructure**

- The project area has relatively good access to infrastructure, including grid power (22KV line runs adjacent to the salar, Figure 45 and roads (sealed and unsealed roads and highways) direct to site. Fresh water for processing is planned to be provided by a reverse osmosis plant.
- In addition, the project is located just 170km by road to the regional centre and mining town of Copiapó. The region is well known for copper and silver mining, and as such, the city provides excellent access to skilled personnel, services and consumables (including a large lime plant).

**Figure 45: Left - Preliminary site plan layout showing planned location of evaporation ponds and processing plant; Right - 23KV power line which extends to the property**

**Other operating infrastructure**

- Wells – Management has suggested that the operating wellfield would likely be located at the same site as the existing monitoring wells, in the centre of the salar (green area within Figure 45 above). Between 10-20 wells will be required, which are planned to be sunk to varying depths to target the different productive sedimentary units and provide operational flexibility. Brine flow rates from test wells have suggested an average flow rate of ~218L/sec.
Evaporation Ponds – given the lack of flat land within the basin, evaporation ponds are planned to be constructed in an area approximately 3km north of the salar itself (Figure 47). Concentrated brine from the evaporation ponds is planned to be pumped via a buried pipeline to the processing plant. Based on our observations of the topography and the planned pond design (flat based), significant capex will likely be required for pond construction.

We also highlight that the JV has secured the only flat land in the basin, potentially acting as an impediment to the separate development of any resources from the adjacent properties held by CODELCO/SQM.

Processing

Initial process test work has shown successful concentration of brines at Maricunga via onsite evaporative test ponds (Figure 48). Pilot scale process test work is being undertaken by well-regarded consulting groups in Veolia, FLSmidth and GEA, based on conventional extraction processes. Stage 2 test work is underway with first Li$_2$CO$_3$ and KCl production samples (for provision to potential customers) expected during Q4’17.
A process flow sheet summary based on conventional brine processing is presented in Figure 49 over leaf. Final process design remains subject to optimisation following ongoing pilot test work, with the key process steps outlined below.

- Brine evaporation: brine will be pumped from the well field to a series of evaporation ponds, where lime is added and through increasing the pH, magnesium, sodium, boron and chloride salt (such as halite) is precipitated out.

- Brine concentration: evaporation of the brine as it moves through the ponds leads to increasing Li concentration and decreasing potassium and sodium (precipitated out as hydrated crystalline salts such as sylvinite and carnalite). Potassium salts are harvested for processing through the potash circuit consisting of milling, flotation (sylvinite) and leaching (carnalite) to produce a potassium chloride (potash) product.

- Neutralisation & Solvent Extraction: enriched brine (~1% Li) is pumped to the processing plant, where it undergoes pH reduction (H₂SO₄ addition) prior to solvent extraction to remove boron.

- Magnesium & calcium reduction: the brine is then contacted with soda ash (Na₂CO₃) which removes trace Magnesium and Calcium via precipitation by increasing the pH, with the Mg/Ca removed via filtration.

- Selective precipitation & carbonation: the enriched Li chloride brine is treated with additional soda ash and heated to precipitate out the Li as a carbonate, which is then filtered, repulped with fresh water and sparged with carbon dioxide to produce a high purity Li carbonate (i.e., battery grade) product.

- Product preparation: the product is then centrifuged, dried, sized (via milling) and packaged (1 tonne bulk bags) for final product transport.
Product transport & logistics

- The JV has completed a detailed port and logistics assessment, which assessed the finished product transport route being through to port of Angamos, located just to the north of major port Antofagasta. The assessment has estimated transport costs of ~US$270/tonne. We note potential for lower transport costs with LPI expected to assess the viability of alternative ports closer to the project (i.e., Caldera, Barquito).

Figure 50: Transport and logistics plan summary
Capital costs
- Capital cost estimates for the project are subject to the completion of feasibility studies. Our research indicates a wide range of capital cost estimates for greenfield lithium brine developments (Figure 51 & 52). We also note that total capital through to commercial production at Olaroz was some 40% higher than the original estimates (although we note that this feasibility was completed in 2011, with this figure also including some pre-production working capital). On this basis, we have taken a conservative approach to our model assumptions by applying a multiple of 1.2x to our estimated average capital intensities to derive an modelled pre-production capital cost for Maricunga of US$490m.

![Figure 51: Greenfield lithium brine development capital intensities (bubble size signifies capex)](image1)

Source: Company Reports, Canaccord Genuity estimates

![Figure 52: Greenfield lithium brine development capital comparisons](image2)

Source: Company Reports, Canaccord Genuity estimates

*Includes wellfield and pumps; **includes some working capital prior to commercial production

Production
- The project is being scoped as a 20ktpa Li$_2$CO$_3$ operation with potash by products (~75ktpa). Based on the planned operating parameters, Figure 53 below details our modelled production forecasts over an assumed mine life of 33 years. We assume construction commences in mid/late’19, with a ~27-month construction period and 24-month ramp-up to nameplate rates.

![Figure 53: Lithium carbonate & potash production estimates](image3)

Source: Canaccord Genuity estimates
Operating costs

- Firm operating cost inputs for the project are subject to completion of feasibility studies, but our preliminary estimates suggest C1 cash costs of ~US$2,800/t (net of potash by products assuming US$220/tonne), which would make Maricunga one of the lowest cost lithium operations in the world (Figure 54).

![Figure 54: Estimated 2020 global lithium cost curve](image)

Source: Canaccord Genuity estimates; * assumes independent supply of concentrate to converter plants at CGe spodumene price of US$740/tonne

Offtake, marketing and sales

- While LPI/the Joint Venture are yet to have committed to any offtake arrangements, we note that MSB has had preliminary discussions with Chinese company Fulin Group, where a non-binding MoU sets out the possible purchase by Fulin of between 20-50% of the Maricunga Joint Venture company. In addition, the MoU includes a funding component where Fulin would provide the necessary debt and equity associated with development costs. In exchange, Fulin would seek to acquire a direct project interest, product offtake and agency rights.
  - The MoU is currently under discussion and is non-binding.
  - Fulin Group (Sichuan Fulin Transportation Group) is a China-based transport and car/bus manufacturing company, with other business activities including cargo transport, terminal operations, sale of petroleum products, warehousing services, as well as an emerging electric vehicle (car & bus) manufacturing division (Yema Auto). The company is listed on the Shenzhen stock exchange (Code 002357), has a current market cap of CNY3,175m, and reported sales in 2016 of CNY1,177m (Source: FactSet).
**Project Timetable**
- We anticipate completion of the PEA/feasibility within the coming weeks, with a DFS planned for completion by mid-2018, and Environmental Impact Assessment in late 2018/early 2019. Assuming a 27-month construction and commissioning period, we anticipate first production in 2021.

**Figure 55: Project timetable**

Source: Canaccord Genuity estimates

**Other Projects**

**Greenbushes (100%)**
- LPI holds granted exploration tenements extending over 400km² in the Greenbushes region of southern Western Australia. They are adjacent to the world’s largest hard rock lithium mine at Greenbushes, owned and operated by Albemarle/Tianqi.
- There are a number of recorded pegmatite occurrences within the project area, but historical sampling suggests the pegmatites may be poorly mineralised. However, historical exploration was reportedly limited, and the properties remain prospective for the discovery of mineralised pegmatites. LPI plans to undertake geophysical programs across the programs over 2018 to define potential drilling targets.
Pilgangoora/Tabba Tabba (100%)

- LPI holds exploration tenements covering 203km² across the Pilbara region of northern Western Australia. The properties are located proximal to Pilbara Minerals (PLS:ASX: A$0.88 | Rated HOLD by Larry Hill) and Altura Minerals' (AJM:ASX: A$0.35 | Rated HOLD by Reg Spencer) Pilgangoora lithium development projects, as well as other known mineral occurrences such as the Tabba Tabba tantalum deposit.

- LPI’s exploration tenements are 100% owned by LPI, but are relatively early stage with no surface work having been undertaken as yet, but remain prospective for the discovery of lithium bearing pegmatites. LPI aims to undertake a 3,000m reconnaissance RC drilling program during 2018.
Appendix - Board of Directors

Non-executive Chairman – David Hannon

Mr. Hannon holds a Bachelor of Economics from Macquarie University and is a Fellow of the Financial Services Institute of Australia (FINSIA). Mr. Hannon commenced his commercial career as a stockbroker/investment banker in 1985. He later became a Director of a private investment bank specialising in venture capital with a focus on the mining sector. Mr. Hannon’s other listed mining company experience involves being a founding Director of Atlas Iron Limited (“Atlas”) in 2004.

Managing Director/CEO – Martin Holland

Mr. Holland has 11 years’ management experience focusing on the mining exploration sector. Previously he was CEO of gold explorer Stratum Metals Limited from 2010 to 2014, which listed on the ASX in 2011. Mr. Holland is Chairman of Sydney-based private investment company, Holland International Pty Limited, which has strong working relationships with leading institutions and banks across Australia and the Asia Pacific region.

Non-executive Director – Russell Barwick

Mr. Barwick is an internationally renowned mining executive and engineer with over 43 years of technical, managerial and corporate experience in various commodities. He initially worked for Bougainville Copper Limited [CRA], Pancontinental Mining Limited and CSR Ltd. Following this, Mr. Barwick spent 16 years with Placer Dome Inc. occupying a number of key development, operational and corporate roles. He then served as CEO of Newcrest Mining Limited, and from 2003 to 2007, served as Chief Operating Officer of Wheaton River Minerals and Goldcorp Inc.

Non-executive Director – Reccared Fertig

Mr. Fertig is a senior executive with 30 years’ international commercial experience across mining, property, healthcare and services sector. Mr. Fertig is the Chief Executive Officer of Adrenna Property Group Limited, a property fund listed on the Johannesburg Stock Exchange. He is also chairman of Quyn International Outsource, a South African-based human resource group that has over 3,000 employees in Southern Africa, servicing the mining, construction and commercial industries.

Non-executive Director, Company Secretary & CFO – Andrew Phillips

Mr. Phillips has over 25 years of international commercial and financial experience with prior senior management roles with Aristocrat, Allianz, Hoya Lens and Sequoia, with additional board experience in the small cap resources sector.

Non-executive Director, Latin America Regional Manager – Dr Luis Ignacio Silva P.

Dr. Silva has over 40 years’ experience in mining exploration and environmental studies. He was previously Deputy Manager of Geology at SERNAGEOMIN (the Chilean Geological Survey) for two years, from February 2012 to April 2014, and prior to that he was the Exploration and General Manager for Talison’s Salares-7 lithium project. Other experience includes roles with Freeport, Amax, Barrick, Lundin, Homestake, Cyprus, Phelps Dodge, Pegasus, Cominco, Codelco and the Chilean Nuclear Energy Commission.
Appendix - Investment Risks

Risks to our investment case include:

**Financing risks**

LPI is expected to require additional capital to fund its pro rata share of development costs for the project should feasibilities outline a viable project and a positive investment decision by JV made. As a pre-cash flow company, LPI is reliant on equity/debt/external capital to fund capital commitments, and there is no guarantee that accessing these markets will be achieved without dilution to shareholders.

Furthermore, accurate estimates of capital costs for the project remain subject to completion of feasibility studies, which may see capital requirements exceed our model assumptions. There is no guarantee that studies will result in a positive investment decision for the project.

**Operational risks**

Once in production, the company may and will be subject to risks such as plant/equipment breakdowns, metallurgical (meeting design recoveries within a complex flowsheet), materials handling and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets and negatively impact valuation.

Specifically for lithium brine projects, controlling process variables such as temperature, reagent dosage, solids loading and gas pressures at altitude can be a key risk to successful production ramp-ups.

Further, the actual characteristics of an ore reserve may differ significantly from initial interpretations which can also materially impact forecast production from original expectations.

**Exploration risks**

Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks can also be associated with exploration techniques and lack of accuracy in interpretation of geochemical, geophysical, drilling and other data. Our model assumptions include a significant amount of Indicated, Inferred and assumed resources, which may or may not ultimately be proven to be economic and converted into Reserves.

There can be no assurance that the Exploration Target at Maricunga is ultimately proven into Resources or Reserves.

**Commodity price and currency fluctuation**

The company’s ability to finance potential development of the project is and will be exposed to commodity price and currency fluctuations, often driven by macro-economic forces including inflationary pressure, interest rates and supply and demand of commodities. These factors are external and could reduce the profitability, costing and prospective outlook for the business.
Appendix: Important Disclosures

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Investment Recommendation
Date and time of first dissemination: December 10, 2017, 14:30 ET
Date and time of production: December 10, 2017, 14:25 ET

Target Price / Valuation Methodology:
Lithium Power International Limited - LPI
Our NAV based target price of A$0.95 (rounded) comprises a 50% interest in our Maricunga NPV (risked to 65% to account for financing/feasibility/development risks), a nominal amount ascribed to LPI’s Australian hard rock exploration assets, net of corporate and other adjustments.

Risks to achieving Target Price / Valuation:
Lithium Power International Limited - LPI
Risks to our investment case include:

Financing risks
LPI is expected to require additional capital to fund its pro rata share of development costs for the project should feasibilities outline a viable project and a positive investment decision by JV made. As a pre-cash flow company, LPI is reliant on equity/debt/external capital to fund capital commitments, and there is no guarantee that accessing these markets will be achieved without dilution to shareholders.
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Distribution of Ratings:

Global Stock Ratings (as of 12/10/17)

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*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

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NOT RATED: Canaccord Genuity does not provide research coverage of the relevant issuer.

“Risk-adjusted return” refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

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Speculative Buy Target Price A$0.95 | 10 December 2017

Specialty Minerals and Metals 32
Speculative Buy  Target Price A$0.95  |  10 December 2017  Specialty Minerals and Metals  33

Lithium Power International Limited Rating History as of 12/08/2017

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