Maricunga update - Resource drilling and project financing

Positive results from Maricunga drilling supports potential for significant Resource expansion: LPI recently announced that it has completed its Resource extension drilling program within the project’s Old Code concessions. Drilling reached targeted depths of 400m, and returned average lithium concentrations of 989mg/L (up to >3,000mg/L). The existing Resource (2019) at Maricunga (including both Old Code and New Code concessions) comprises 2.07Mt LCE at average grades of 1,167mg/L, defined to a depth of 200m.

In our view, the drilling results have positive implications for extension of project Resources at depth, noting that LPI has suggested the potential for an increase of 1.5-1.8x the current Resource estimate. An updated Resource estimate is expected by end of the SepQ’21.

Updated Reserves to underpin revised DFS ahead of FID: LPI is now working towards an updated Reserve for the project based on exploitation of Resources within the Old Code concessions (see Staged development now planned for Maricunga), which will support an updated DFS for the project (expected to be completed in mid DecQ’21).

Our current development assumptions entail US$505m capex (LPI attrib. 51%) with annual capacity of 15ktpa LCE and cash costs of US$4,080/t, from 2025. This compares to the 2019 DFS which assessed a US$563m project, with capacity/cash costs of 20ktpa and <US$4,000/t respectively.

Mitsui/financing update: LPI (through local holding co MSB) signed an MoU with Mitsui & Co for a Strategic Alliance for the development of Maricunga in May 2021 (see Strategic alliance with Mitsui for development of Maricunga). The MoU is expected to cover offtake rights (up to 15ktpa LCE) for an initial 10 years, rights to participate in project funding, as well as further collaboration on other potential projects in Chile utilising Mitsui’s technical partner’s DLE technology. Progression of the MoU towards a possible binding arrangement is expected to follow the completion of updated Resources/Reserves.

Valuation & Recommendation
We maintain our SPECULATIVE BUY rating and A$0.55 target price (heavily risked NPV10%).

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Investment Recommendation
Date and time of first dissemination: July 11, 2021, 21:28 ET
Date and time of production: July 11, 2021, 21:28 ET

Target Price / Valuation Methodology:
Lithium Power International Limited - LPI
Our NAV-based target price is comprised of a 51% interest in our Maricunga NPV (risked to to account for financing/feasibility/development risks), and 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.

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.
Distribution of Ratings:
Global Stock Ratings (as of 07/11/21)

<table>
<thead>
<tr>
<th>Rating</th>
<th>Coverage Universe</th>
<th>IB Clients</th>
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<tbody>
<tr>
<td></td>
<td>#</td>
<td>%</td>
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<td>Sell</td>
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<tr>
<td>Speculative Buy</td>
<td>153</td>
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</tbody>
</table>

*Total includes stocks that are Under Review

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**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.

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