

Lithium Power International

Quarterly update

Maricunga progress and WA asset demerger

Metals and mining

Lithium Power International's (LPI's) Q322 activities report suggests continued progress on its 52%-owned Maricunga lithium project in Chile. The company has also confirmed its plans to demerge its Western Australia (WA) lithium assets by the end of CY22. We have updated our estimates slightly to bring them in line with the reported cash spend. Our valuation increases to A\$1.1/share, due to the implied lower forecast project equity dilution. The planned lithium assets spin-off should crystallise additional value for shareholders.

Year end	Revenue (A\$m)	PBT* (A\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
06/20	0.0	(12.7)	(4.94)	0.0	N/A	N/A
06/21	0.0	(6.0)	(2.16)	0.0	N/A	N/A
06/22e	0.0	(9.6)	(2.52)	0.0	N/A	N/A
06/23e	0.0	(5.3)	(1.45)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items.

Maricunga project update

Following the release of the revised 15.2ktpa BFS in early 2022, LPI is working with Worley and Bechtel to update the EPC proposals for the project, aiming to obtain the final proposal at around mid-2022. According to LPI, Mitsui has advanced its due diligence process and is likely to progress with a non-binding off-take agreement. The company reported additional third-party interest from potential partners. LPI has also initiated further product tests with the project's technical engineering partner GEA Messo, targeting to produce up to 10kg of battery-grade carbonate. A final investment decision on the project is expected in Q4 CY22.

WA lithium assets spin-off

The company has confirmed its intention to spin-off its WA lithium assets by the end of the year. The demerged assets will be listed on the ASX as Western Lithium, with shares distributed among the current LPI shareholders on a pro-rata basis. LPI's WA lithium assets are early-stage, pre-resource hard rock deposits that are adjacent to the currently producing lithium operations. LPI has also reported net cash of A\$10.6m at end Q322. We have updated our cash flow estimates slightly to bring them in line with the reported cash spend and expect end FY22 net cash of A\$9.1m (versus A\$12.9m before), mainly due to the higher project spend in Q3.

Valuation: Supportive lithium prices

Our valuation of LPI increases from A\$1.02 to A\$1.1/share, thanks to the higher LPI share price, which implies lower estimated project equity dilution. We do not attribute any value to LPI's WA lithium assets due to their early stage and expect the proposed demerger to unlock additional value for LPI shareholders. Despite the current equity and commodity market weakness, the LPI shares remain well supported by the resilient lithium prices, favourable long-term lithium market fundamentals and the company's continued progress on the Maricunga project.

4 May 2022

Price **A\$0.73**
Market cap **A\$255m**

A\$1.38/US\$

Net cash (A\$m) at end March 2022 10.6

Shares in issue 349.1m

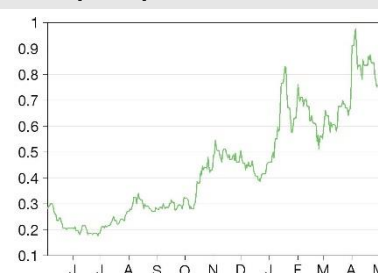
Free float 100%

Code LPI

Primary exchange ASX

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (16.5) 9.4 171.4

Rel (local) (14.3) 6.3 160.7

52-week high/low A\$0.98 A\$0.18

Business description

Lithium Power International's main asset is its 51.6% interest in the Maricunga lithium brine project in Chile. Subject to securing a funding package, the first stage of the project is expected to produce 15.2ktpa of high-grade lithium carbonate, starting from 2026. LPI also owns two early-stage exploration lithium projects in Western Australia, which it plans to demerge by end CY22.

Next events

Fastmarkets – Lithium Supply & Markets conference 2022 27–29 June

Analyst

Andrew Litvin +44 (0)20 3077 5700

mining@edisongroup.com
[Edison profile page](#)

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Exhibit 1: Financial summary

	A\$'000s	2020	2021	2022e	2023e
June YE		IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue		0.0	0.0	0.0	0.0
Operating costs		(2,942.3)	(2,448.0)	(3,552.0)	(3,250.0)
EBIT from continuing operations		(2,942.3)	(2,448.0)	(3,552.0)	(3,250.0)
Share of JV losses/profits		(3,786.9)	(1,967.3)	(3,000.0)	(2,000.0)
Net financing costs		183.6	8.2	0.0	0.0
Forex		(6,203.2)	(1,573.2)	(3,000.0)	0.0
Profit Before Tax		(12,748.8)	(5,980.3)	(9,552.0)	(5,250.0)
Tax		0.0	0.0	0.0	0.0
Profit After Tax		(12,748.8)	(5,980.3)	(9,552.0)	(5,250.0)
Minority interests		(95.7)	(57.3)	183.0	0.0
Discontinued operations		(319.2)	(191.1)	1,530.3	0.0
Net income		(12,972.2)	(6,114.1)	(8,204.7)	(5,250.0)
Average Number of Shares Outstanding (m)		263	283	325	362
EPS (c)		(4.94)	(2.16)	(2.52)	(1.45)
Dividend, c		0.00	0.00	0.00	0.00
Revenue growth (%)		N/A	N/A	N/A	N/A
Gross Margin (%)		N/A	N/A	N/A	N/A
EBITDA Margin (%)		N/A	N/A	N/A	N/A
Normalised Operating Margin		N/A	N/A	N/A	N/A
BALANCE SHEET					
Fixed Assets		29,300.8	32,696.3	36,471.3	54,068.5
Equity investments		25,074.9	28,594.9	32,794.9	49,892.2
PP&E		26.4	24.2	24.2	24.2
Exploration assets		4,199.4	4,077.2	3,652.1	4,152.1
Current Assets		7,391.8	6,802.0	9,335.9	5,585.9
Cash		7,141.6	6,280.7	9,131.2	5,381.2
Receivables		74.7	16.3	16.3	16.3
Other		175.5	188.4	188.4	188.4
Assets held for sale		0.0	316.7	0.0	0.0
Current Liabilities		(336.0)	(359.1)	(404.2)	(404.2)
Creditors		(293.8)	(322.2)	(322.2)	(322.2)
Short term borrowings and leases		(42.2)	(36.9)	(82.1)	(82.1)
Long Term Liabilities		0.0	0.0	0.0	0.0
Net Assets		36,356.5	39,139.3	45,402.9	59,250.2
Minority interests		(187.1)	(183.0)	0.0	0.0
Shareholders' equity		36,543.6	39,322.3	45,402.9	59,250.2
CASH FLOW					
Operating Cash Flow		(13,067.9)	(6,171.4)	(8,021.7)	(5,250.0)
JV contribution		3,786.9	1,967.3	3,000.0	2,000.0
Forex		6,503.3	1,479.6	3,000.0	0.0
Other		853.5	382.2	(148.1)	0.0
Net operating cash flow		(1,924.3)	(2,342.4)	(2,169.7)	(3,250.0)
Payments for JV capital		(5,173.5)	(6,524.7)	(7,200.0)	(19,097.3)
Exploration		(1,202.2)	(205.8)	(810.0)	(500.0)
Equity financing		100.0	7,789.6	11,765.0	19,097.3
Other		0.0	452.6	1,235.1	0.0
Net Cash Flow		(8,199.9)	(830.7)	2,820.3	(3,750.0)
Opening net debt/(cash)		(15,341.5)	(7,141.6)	(6,280.7)	(9,131.2)
FX and other		0.0	0.0	0.0	0.0
Closing net debt/(cash)		(7,141.6)	(6,280.7)	(9,131.2)	(5,381.2)

Source: LPI, Edison Investment Research

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Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
1185 Avenue of the Americas
3rd Floor, New York, NY 10036
United States of America

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia