

# Lithium Power International

Equity placement

## Successful equity raise; Maricunga progress

Lithium Power International (LPI) has announced a successful equity placement, raising c A\$25m in gross proceeds. This brings its proforma 30 June 2022 cash position to a comfortable level of A\$31.5m. The funds will be used to advance LPI's flagship Maricunga project. We have updated our model to reflect the news and LPI's (now less dilutive) higher share price, increasing our valuation from A\$1.0/share to A\$1.24/share. Despite the backdrop of slowing global economic growth, lithium prices remain high reflecting tight supply/demand fundamentals and the sector's attractive long-term growth potential.

| Year end | Revenue (A\$m) | PBT* (A\$m) | EPS* (c) | DPS (c) | P/E (x) | Yield (%) |
|----------|----------------|-------------|----------|---------|---------|-----------|
| 06/20    | 0.0            | (12.7)      | (4.9)    | 0.0     | N/A     | N/A       |
| 06/21    | 0.0            | (6.0)       | (2.2)    | 0.0     | N/A     | N/A       |
| 06/22e   | 0.0            | (9.6)       | (2.5)    | 0.0     | N/A     | N/A       |
| 06/23e   | 0.0            | (3.3)       | (0.7)    | 0.0     | N/A     | N/A       |

Note: \*PBT and EPS is normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

### Well funded after the raise

LPI has raised c A\$25m in gross proceeds at A\$0.6/share by placing 41.7m in new shares (11% of enlarged share capital). The placement price represents a 14% discount to the undisturbed share price, but only 3% to the 10-day volume weighted average price. Following the placement, LPI is now well capitalised with proforma end-June cash of A\$31.5m. The company plans to use the proceeds to advance its Maricunga lithium project. The placement is in line with our model, which currently assumes that LPI will raise c A\$38m in equity (and an additional A\$57m in debt) in FY23 to fund project development and construction.

### Maricunga project update

LPI is making progress on consolidating its [ownership of the Maricunga project](#), with the slight delay to the original schedule caused by the time taken to obtain an independent expert's report for shareholders and to finalise the audit of financials. The company continues to assess the best funding options for the project as it received several expressions of interest in relation to debt and equity funding as well as the acquisition of the project. Finally, we note that, on 4 September 2022, Chilean national plebiscite rejected the text of a new national constitution by a margin of 62% to 38%. While this extends the uncertainty, the news is positive for miners as the proposed draft was criticised as being too radical.

### Valuation: Up on lower equity dilution

Our valuation of LPI increases from A\$1.0/share to A\$1.24/share on the back of the higher share price and the associated lower project equity dilution. While LPI shares have gained some support recently, we note the still-prevailing disconnect between the favourable lithium market fundamentals and the valuations of lithium developers and explorers (LPI in particular). This weakness caused by the general equity market sell-off could affect project development timelines and exacerbate the tight lithium supply/demand situation in the longer term.

### Metals & mining

14 September 2022

Price **A\$0.73**

Market cap **A\$255m**

US\$:A\$1.45

Net cash (A\$m) at end June 2022 6.5

Shares in issue (pre-merger and pre-equity raise; 41.7m new shares to list 16 September 2022) 349.1m

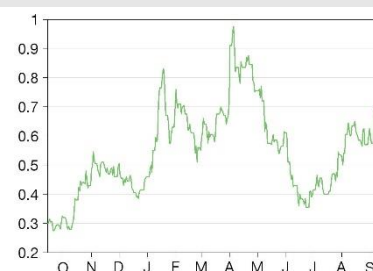
Free float 100%

Code LPI

Primary exchange ASX

Secondary exchange N/A

### Share price performance



% 1m 3m 12m

Abs 14.2 68.6 154.4

Rel (local) 14.7 66.1 171.0

52-week high/low A\$0.98 A\$0.28

### Business description

Lithium Power International's main asset is its 100% interest (subject to completion) 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. It also owns two early-stage exploration lithium projects in Western Australia, which it plans to demerge by the end of CY22.

### Next events

100% Maricunga ownership consolidation Q4 CY22

Australian lithium assets spin-off H2 CY22

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**Lithium Power International is a research client of Edison Investment Research Limited**

**Exhibit 1: Financial summary**

|  | A\$'000s | 2020       | 2021      | 2022e     | 2023e      |
|--|----------|------------|-----------|-----------|------------|
| June YE                                  |          | IFRS       | IFRS      | IFRS      | IFRS       |
| <b>INCOME STATEMENT</b>                  |          |            |           |           |            |
| 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) | 0.0        |
| 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 (norm)                 |          | (12,748.8) | (5,980.3) | (9,552.0) | (3,250.0)  |
| Tax                                      |          | 0.0        | 0.0       | 0.0       | 0.0        |
| Profit After Tax                         |          | (12,748.8) | (5,980.3) | (9,552.0) | (3,250.0)  |
| 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) | (3,250.0)  |
| Average Number of Shares Outstanding (m) |          | 263        | 283       | 325       | 495        |
| EPS - normalised (c)                     |          | (4.94)     | (2.16)    | (2.52)    | (0.66)     |
| 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        |
| <b>BALANCE SHEET</b>                     |          |            |           |           |            |
| Fixed Assets                             |          | 29,300.8   | 32,696.3  | 38,432.3  | 244,218.3  |
| Equity investments                       |          | 25,074.9   | 28,594.9  | 34,794.9  | 0.0        |
| PP&E                                     |          | 26.4       | 24.2      | 24.2      | 240,355.2* |
| Exploration assets                       |          | 4,199.4    | 4,077.2   | 3,613.1   | 3,863.1    |
| Current Assets                           |          | 7,391.8    | 6,802.0   | 7,374.9   | 3,874.9    |
| Cash                                     |          | 7,141.6    | 6,280.7   | 7,170.2   | 3,670.2    |
| 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       | (57,090.3) |
| Debt                                     |          | 0          | 0         | 0         | (57,090.3) |
| Net Assets                               |          | 36,356.5   | 39,139.3  | 45,402.9  | 190,598.7  |
| Minority interests                       |          | (187.1)    | (183.0)   | 0.0       | 0.0        |
| Shareholders' equity                     |          | 36,543.6   | 39,322.3  | 45,402.9  | 190,598.7  |
| <b>CASH FLOW</b>                         |          |            |           |           |            |
| Operating Cash Flow                      |          | (13,067.9) | (6,171.4) | (8,021.7) | (3,250.0)  |
| JV contribution                          |          | 3,786.9    | 1,967.3   | 3,000.0   | 0.0        |
| 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)  |
| Project capex                            |          | (5,173.5)  | (6,524.7) | (9,200.0) | (95,150.5) |
| Exploration                              |          | (1,202.2)  | (205.8)   | (771.0)   | (250.0)    |
| Equity financing                         |          | 100.0      | 7,789.6   | 11,765.0  | 38,060.2   |
| Other                                    |          | 0.0        | 452.6     | 1,235.1   | 0.0        |
| Net Cash Flow                            |          | (8,199.9)  | (830.7)   | 859.3     | (60,590.3) |
| Opening net debt/(cash)                  |          | (15,341.5) | (7,141.6) | (6,280.7) | (7,170.2)  |
| FX and other                             |          | 0.0        | 0.0       | 0.0       | 0.0        |
| Closing net debt/(cash)                  |          | (7,141.6)  | (6,280.7) | (7,170.2) | 53,420.1   |

Source: Lithium Power International, Edison Investment Research. Note: \*The increase in PP&E is mainly due to the expected consolidation of 100% ownership of the Maricunga project.

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