

Lithium Power International

Carbonate purity above industry standards

Project update

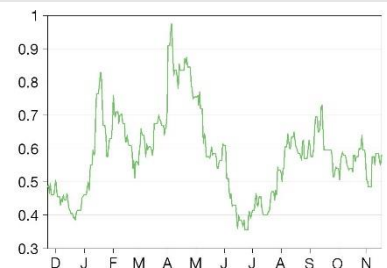
Metals and mining

21 November 2022

Price **A\$0.52**
Market cap **A\$203m**

Net cash (A\$m) at end September 2022 26.5
 Shares in issue 391.2m
 Free float 100%
 Code LPI
 Primary exchange ASX
 Secondary exchange N/A

Share price performance



Business description

Lithium Power International's main asset is its 100% 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. It also owns a number of early-stage exploration lithium projects in Western Australia, which it plans to demerge in Q1 CY23.

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Lithium Power International (LPI) has announced that optimisations to the production process introduced in the updated definitive feasibility study (DFS) at its Maricunga lithium project resulted in battery grade lithium carbonate whose purity exceeded industry standards. LPI now plans to send these carbonate samples to potential off-takers as part of the ongoing project finance process.

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
06/22	0.0	(12.6)	(3.7)	0.0	N/A	N/A
06/23e	0.0	(3.3)	(0.7)	0.0	N/A	N/A

Note: *PBT and EPS are from continuing operations, normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

As LPI announced in April, its technological partner GEA Messo has undertaken additional testing of Maricunga's concentrated brines at the independent certified laboratory. As a result of production process optimisations introduced as part of the project's updated DFS (released in January 2022), LPI reported that samples of Maricunga's concentrated brine consistently produced battery-grade lithium carbonate with 99.92% purity. This is significantly above the industry standard of 99.5% for battery-grade carbonate. In addition, the purity after loss of ignition was reported at 99.7%.

At the conference call held after the test results announcement, management reported that Mitsui has completed its due diligence process and the companies are discussing the terms that could lay the foundation for a definitive agreement. At the same time, several unsolicited approaches that LPI has recently disclosed continue to progress and the company aims to update the market in the next 60–90 days. It was also reported that LPI remains in contact with Codelco, which has recently been undertaking some exploration work at its part of the Maricunga salar (using LPI's exploration camp).

After the recently oversubscribed [equity placement](#) that raised A\$25m in gross proceeds, LPI is well capitalised, with a cash balance of A\$26.5m at end-September 2022. We maintain our cash flow-based valuation of the company at A\$1.24/share, on a diluted basis. Overall, despite the near-term economic weakness, electric vehicle demand continues to grow (H122 global battery electric vehicle and plug-in hybrid electric vehicle sales up 62%, source: ev-volumes.com) at the expense of internal combustion engines (diesel in particular), and the longer-term industry fundamentals remain intact, underpinned by ambitious global climate and decarbonisation targets. Supported by supply shortages, cost inflation and project delays, lithium prices are set to remain elevated to incentivise new supply. We believe the lithium market backdrop remains favourable for producers and advanced developers like LPI.

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