

Lithium Power International

Shareholders approve ownership consolidation

Project update

Metals and mining

31 October 2022

Price **A\$0.6**
Market cap **A\$219m**

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 (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 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) announced on 28 October that its shareholders, as well as the shareholders of Bearing Lithium, approved Maricunga's ownership consolidation, paving the way for the completion of the transaction in November. On 25 October the company provided a Q123 update that showed further gradual progress in the project's development. Following the recent oversubscribed equity offering, LPI remains well capitalised. We maintain our valuation.

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 are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Shareholder approval was one of the key steps in the announced ownership consolidation of the Maricunga lithium project, as a result of which LPI will gain full control of the asset in [an all-share transaction](#). This will simplify the ownership structure, further de-risking the project and assisting in securing a funding package. The deal is expected to close in the second half of November. As the company has been busy completing the consolidation transaction, it had to delay the demerger of its Western Australia exploration lithium assets, which is now anticipated in Q1 CY23. In the meantime, LPI continues to increase its lithium holdings in Western Australia and has acquired four additional tenements.

LPI continues to gradually advance the Maricunga project, having announced that Mitsui's due diligence process and discussions on the final terms of the definitive agreement are ongoing. In other news, the results of additional testing of Maricunga's brines by GEA and any potential process design modifications resulting from these tests are expected to be announced by LPI in Q4 CY22.

Following the 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 PHEV and BEV sales up 62%, source: ev-volumes.com) at the expense of ICE (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 at the elevated levels in order to incentivise new supply. We believe the lithium market backdrop remains favourable for producers and advanced developers like LPI.

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