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# Latin Resources Ltd (LRS)

## Initial Salinas lithium Resource

**Recommendation**
**Buy** (unchanged)

**Price**
**\$0.13**
**Valuation**
**\$0.22** (previously \$0.18)

**Risk**
**Speculative**
**GICS Sector**
**Materials**
**Expected Return**

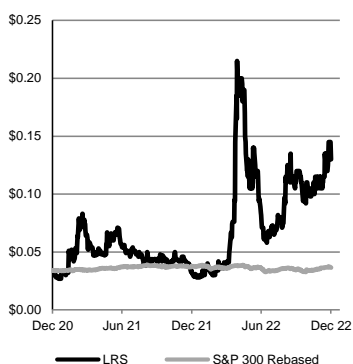
Capital growth	<b>69%</b>
Dividend yield	<b>0%</b>
Total expected return	<b>69%</b>

**Company Data & Ratios**

Enterprise value	<b>\$236m</b>
Market cap	<b>\$265m</b>
Issued capital	<b>2,038m</b>
Free float	<b>82%</b>
Avg. daily val. (52wk)	<b>\$2.7m</b>
12 month price range	<b>\$0.027-\$0.228</b>

**Price Performance**

	(1m)	(3m)	(12m)
Price (A\$)	0.12	0.11	0.04
Absolute (%)	13.0	18.2	251.4
Rel market (%)	9.1	13.4	252.8

**Absolute Price**


SOURCE: IRESS

**Great start with Initial Salinas MRE of 13.3Mt at 1.2% Li<sub>2</sub>O**

LRS has announced an initial Mineral Resource Estimate (MRE) of 13.3Mt at 1.2% Li<sub>2</sub>O for the Colina Deposit at the company's 100% owned Salinas Lithium Project (Minas Gerais, Brazil). The company's independent geologist has also outlined an Exploration Target Range (ETR) of 13.5-22Mt at 1.2-1.5% Li<sub>2</sub>O based on available drill data and excluding adjacent highly prospective ground (Colina West and Colina South). LRS is now increasing its rig-count from four to eight for a 65,000m drill program in 2023 to enable rapid Resource growth in support of the Preliminary Economic Assessment currently underway and future detailed development studies.

**More to come from drilling, met testing & PEA**

The initial MRE and ETR compare favourably with our estimates and expectation of Resource growth at Colina. Extension into Colina South and the delineation of an additional MRE at Colina West could provide further material Resource upside. Recent favourable metallurgical test work has outlined high lithium recoveries and concentrate grades at a relatively coarse crush size and consistency across the Resource. We expect positive news flow over the coming months with drill, assay and met test results as a feeder into the PEA and ultimately a Definitive Feasibility Study in over 2023-24.

**Investment view: Speculative Buy, Valuation \$0.22/sh**

We expect material value accretion as LRS adds to the Salinas MRE and ultimately defines its path to development. Our LRS valuation is based on modelling a notional project development at Salinas, heavily risked for its early stage of assessment. We expect the company to aggressively pursue the required feasibility studies and environmental permitting to de-risk Salinas with further potential upside from step-out and regional exploration over the short term.

In this report we have increased our LRS valuation to \$0.22/sh (previously \$0.18/sh). LRS is an asset development company with prospective operations and cash flows. Our Speculative risk rating recognises this higher level of risk and volatility of returns.

**Earnings Forecast**

Year ending 31 December	2023e	2024e	2025e	2026e
Sales (A\$m)	0	0	89	353
EBITDA (A\$m)	(23)	(23)	44	225
NPAT (reported) (A\$m)	(22)	(21)	23	144
NPAT (adjusted) (A\$m)	(22)	(21)	23	144
EPS (adjusted) (eps)	(1.3)	(0.9)	0.9	5.4
EPS growth (%)	na	na	na	521%
PER (x)	-9.6x	-14.3x	15.0x	2.4x
FCF Yield (%)	-8%	-68%	-14%	42%
EV/EBITDA (x)	-10.1x	-10.1x	5.2x	1.0x
Dividend (eps)	-	-	-	-
Yield (%)	0%	0%	0%	0%
Franking (%)	-	-	-	-
ROE (%)	-45%	-18%	15%	59%

SOURCE: BELL POTTER SECURITIES ESTIMATES

# Initial Salinas lithium Resource

## Great start with Initial Salinas MRE of 13.3Mt at 1.2% Li<sub>2</sub>O

LRS has announced an initial Mineral Resource Estimate (MRE) for the Colina Deposit at the company's 100% owned Salinas Lithium Project (Minas Gerais, Brazil), as outlined in the table below.

### EXPLORATION TARGET RANGE 13.5-22.0MT @ 1.2-1.5% Li<sub>2</sub>O

LRS's independent Resource consultant, SGS Geological Services (SGS), has also estimated a JORC Exploration Target Range for Colina of 13.5-22.0Mt with a grade range of 1.2-1.5% Li<sub>2</sub>O. This ETR is based only on the data available from 57 drill holes relating to the Colina deposit. This deposit remains open along strike to the north and south, and at depth. The current interpretation is that pegmatites increase in thickness and grade with depth.

### RIG COUNT INCREASED FOR RESOURCE GROWTH ALONG STRIKE & WEST

Importantly, this initial MRE and the ETR does not include the Colina South and Colina West prospects, located along strike and around 500m west of Colina, respectively. Recent drilling at Colina West has confirmed the continuity of thick high-grade spodumene pegmatites, with assay results pending.

LRS will now double the number of drill rigs across this asset to eight, enabling extension and infill drilling at Colina and Colina South, and step out drilling at Colina West, to increase the resource size and confidence levels. We expect news flow in the form of ongoing drill and assay results, and metallurgical test work.

**Table 1 - Colina deposit initial Mineral Resource Estimate**

Category	Cut-off % Li <sub>2</sub> O	Mt	Grade % Li <sub>2</sub> O	Li <sub>2</sub> O kt	LCE kt
Indicated	0.3	2.2	1.15	25.7	64
Inferred	0.3	12.4	1.13	140.5	347
<b>Total</b>	<b>0.3</b>	<b>14.6</b>	<b>1.14</b>	<b>166.2</b>	<b>411</b>
Indicated	0.5	2.1	1.21	25.1	62
Inferred	0.5	11.2	1.21	135.2	335
<b>Total</b>	<b>0.5</b>	<b>13.3</b>	<b>1.21</b>	<b>130.3</b>	<b>397</b>
Indicated	0.8	1.8	1.31	22.9	57
Inferred	0.8	8.9	1.35	120.4	298
<b>Total</b>	<b>0.8</b>	<b>10.7</b>	<b>1.35</b>	<b>143.4</b>	<b>355</b>

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

## Met testing update: High recoveries; high concentrate grade

On 5 December 2022, LRS announced an update from ongoing metallurgical test work being completed on Salinas lithium mineralisation. Highlights from sample testing to date are:

- Coarse crush size of 12.5mm resulted in an average Li<sub>2</sub>O recovery of 80.5% and production of an extremely high-grade concentrate (up to 6.6% Li<sub>2</sub>O) from Heavy Liquid Separation processing alone;
- Relatively consistent results across the width and depth of the known orebody;
- Minimal fines generation, potentially resulting in a low reliance on flotation as part of the processing flow sheet; and
- Low iron grades, resulting in a higher value-in-use end product.

LRS are now progressing with a bulk pilot plant test-work to optimise the flowsheet which will be assessed as part of a Preliminary Economic Assessment due in the March 2023 quarter.

### Timeline & value catalysts

#### ONGOING

- Drill results (observations and assays) from infill drilling at Colina and initial step out drilling at Colina West.
- Metallurgical test results from Colina and Colina West ore samples.
- Environmental permitting news flow.

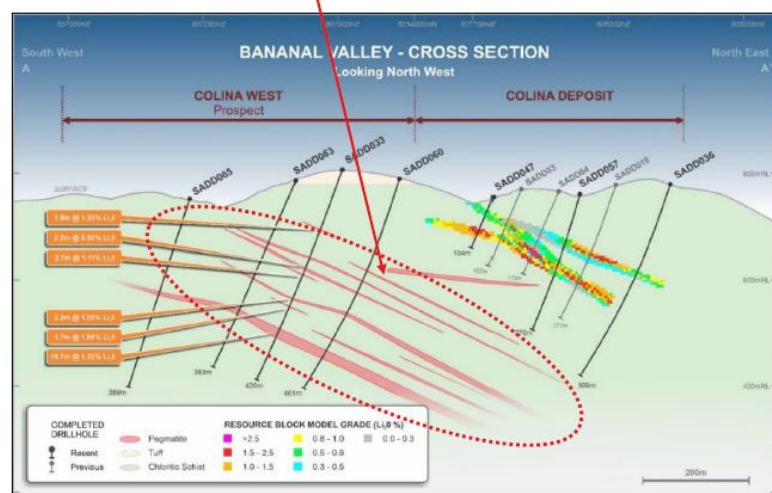
#### MARCH 2023 QUARTER

- Initial JORC MRE for Colina West.
- NI 43-101 Preliminary Economic Assessment on a potential mine and processing plant development at Colina.
- News flow relating to the progression of a Definitive Feasibility Study, potentially including mining parameters, estimated throughput rates, metallurgical test work and end product specifications.

Figure 1 - Potential MRE growth areas

**POTENTIAL MINERAL RESOURCE GROWTH AREAS:**

- Colina Deposit: **13-22 Mt** based on the SGS ETR range.
- Colina South: extensions of the Colina Deposit to the south.
- Colina West Pegmatites: based on initial interpretations of pegmatite intersected in holes SADD033/ 060/ 063/ 065.



SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# ASX lithium sector

## ASX-listed pure-play lithium companies

**Table 2 - ASX-listed lithium companies**

Company name	EV (A\$m)	Total LCE Resource (Mt)	Total LCE Reserve (Mt)	EV /Resource (A\$/t)	EV /Reserve (A\$/t)	Expected annual LCE production* (kt)	EV to production (A\$'000/t)
<b>Diversified</b>							
Mineral Resources (MIN)	17,357	4.7	2.5			0	
IGO (IGO)	11,672	3.5	2.2			60	
<b>Lithium focussed</b>							
Pilbara Minerals (PLS)	12,216	8.9	4.7	1,373	2,582	98	125
Allkem (AKE)	7,825	19.9	3.1	393	2,545	41	191
Liontown Resources (LTR)	3,512	5.6	2.3	622	1,550	63	56
Core Lithium (CXO)	2,074	0.6	0.3	3,382	6,068	24	87
Sayona Mining (SYA)	1,751	2.6	0.5	680	3,374	20	87
Lake Resources (LKE)	1,193	3.3	0.0	362	na	19	62
Ioneer (INR)	1,021	0.6	0.3	1,641	3,532	19	53
Argosy Minerals (AGY)	809	0.2	0.0	4,259	na	11	75
Vulcan Energy Resources (VUL)	757	15.9	0.0	48	na	45	17
Global Lithium Resources (GL1)	538	0.5	0.0	999	na	N/A	na
Leo Lithium (LLL)	533	1.7	0.9	305	610	34	16
Galan Lithium (GLN)	344	6.5	0.0	53	na	4	86
Piedmont Lithium (PLL)	336	2.7	0.7	123	454	53	6
Latin Resources (LRS)	236	0.4	0.0	594	na	N/A	na
Winsome Resources (WR1)	209	0.0	0.0	na	na	0	na
Anson Resources (ASN)	192	1.0	0.0	185	na	N/A	na
Green Technology Metals (GT1)	179	0.2	0.0	717	na	N/A	na
Lithium Power International (LPI)	163	1.9	0.5	86	341	15	11
Red Dirt Metals (RDT)	141	0.4	0.0	384	na	N/A	na
Jindalee Resources (JRL)	113	13.2	0.0	9	na	N/A	na
Lepidico (LPD)	112	0.1	0.1	1,057	1,821	3	36
Essential Metals (ESS)	96	0.3	0.0	285	na	N/A	na
European Metals Holdings (EMH)	65	3.6	0.0	18	na	13	5
Infinity Lithium Corporation (INF)	59	1.3	0.0	47	na	N/A	na
Greenwing Resources (GW1)	44	0.0	0.0	na	na	0	na
Firetrail Resources (FTL)	4	0.0	0.0	na	na	0	na
<b>Mean</b>				<b>836</b>	<b>2,288</b>		<b>65</b>
<b>Median</b>				<b>384</b>	<b>2,183</b>		<b>59</b>

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

# Valuation methodology

## Risked & diluted sum of the parts valuation:

At 30 September 2022, LRS had cash of \$29m and no debt.

**Table 3 - Risked and diluted sum of the parts valuation**

	100% basis	%	Equity basis	% Risk	Equity basis
	Unrisked	LRS equity	Unrisked	discount	Risked
Salinas (project)	770	100%	770	60%	308
Salinas (Resource upside)					185
Cloud Nine Halloysite-Kaolin					20
Other projects					30
<b>Total projects</b>					<b>543</b>
Corporate overheads					-31
<b>Enterprise value</b>					<b>511</b>
Net debt (diluted)					-33
<b>Equity value</b>					<b>544</b>
Diluted shares on issue m					2,354
<b>Equity value \$/sh</b>					<b>0.23</b>
<b>Assumed near-term equity raise</b>					
Value \$m	30				
Current share price \$/sh	0.13				
Raise discount %	10%				
Raise price A\$/sh	0.12				
New shares m	256				
<b>After assumed near-term equity raise</b>					
Net debt					-63
<b>Equity value</b>					<b>574</b>
Diluted shares on issue m (after assumed raise)					2,610
<b>Equity value \$/sh</b>					<b>0.22</b>

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

## Salinas Project: Key parameters & assumptions

Key modelling parameters for a notional project at Salinas are outlined in the following table. Our basic premise is that ultimately a 15Mt ore inventory will be defined to feed a circa 1.5Mtpa processing plant.

### OTHER FISCAL PARAMETERS:

- **Tax:** The Brazilian corporate income tax rate is typically around 34% (25% income tax plus 9% social contribution). A Brazilian governmental agency (Sudene) tasked with stimulating economic development has granted tax incentives over nearby mining projects which include a 75% reduction in income tax for 10 years after the project achieves at least 20% of its proposed production capacity. The application of a similar incentive to Salinas would reduce the incurred tax rate to 15.25%.
- **Government royalties:** Lithium production in Brazil is subject to a 2.0% Compensação Financeira pela Exploração de Recursos Minerais (CFEM) royalty payable on the gross income from sales.
- **Private royalties:** There are no material private royalty agreements associated with a potential development at Salinas.

**Table 4 - Salinas project modelled assumptions**

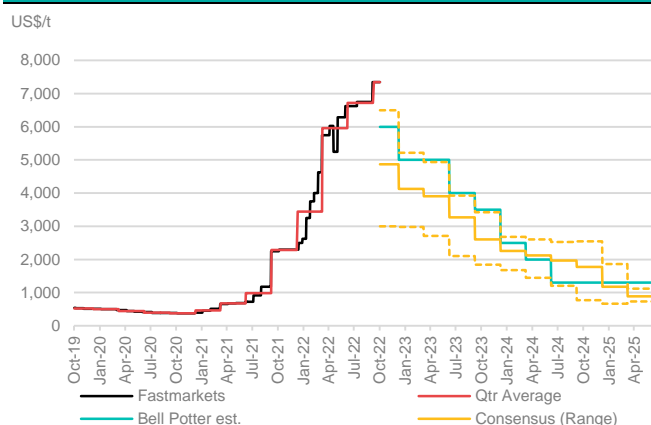
Ore inventory	15.0Mt
Grade % Li2O	1.30%
Mine life	10 years
Annual ore mined / plant throughput	1.5Mtpa
Recovery	60%
Concentrate grade % Li2O	5.5%
Average production ktpa SC6	213ktpa
Average production ktpa LCE	32ktpa
Capex	US\$180m
Cash operating cost (excl. Royalties)	US\$390/t
Long term SC6 price CIF	US\$1,300/t
Average price received FOB	US\$1,162/t
Steady state EBITDA	US\$159m
Steady state free cash flow	US\$125m
NPV (unrisked, 8.0% discount rate)	A\$722m

SOURCE: BELL POTTER SECURITIES ESTIMATES

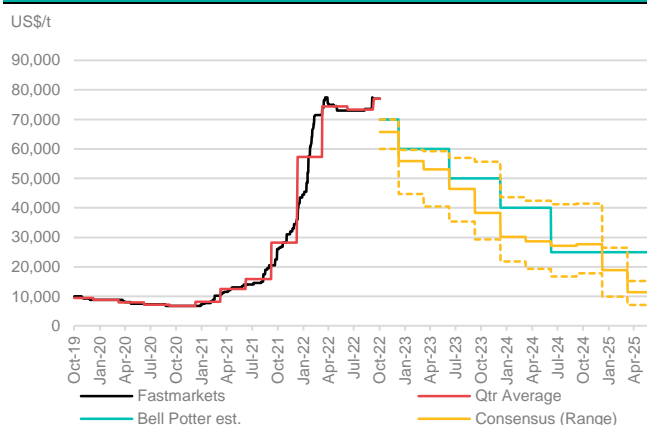
## Cloud Nine Halloysite-Kaolin Deposit

Our valuation estimate is informed by peer Australian halloysite-kaolin projects and listed entities with a high risk discount to account for the project's early pre-scoping study stage.

## Bell Potter Securities lithium commodity price outlook

**Figure 2 - Spodumene concentrate (SC6) QUARTERLY**

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Figure 3 - Lithium carbonate (battery grade) QUARTERLY**

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

**Table 5 - Changes to lithium price outlook**

	Jun-20(a)	Dec-20(a)	Jun-21(a)	Dec-21(a)	Jun-22(a)	Dec-22(e)	Jun-23(e)	Dec-23(e)	Jun-24(e)	Dec-24(e)	Long Term
SC6	474	387	570	1,633	4,706	6,000	5,000	3,750	2,250	1,300	1,300
Li carbonate	8,317	6,964	10,319	21,992	65,841	70,000	60,000	50,000	40,000	25,000	25,000
Li hydroxide	10,065	9,184	11,835	22,607	66,210	73,000	63,000	52,500	45,000	29,000	29,000

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

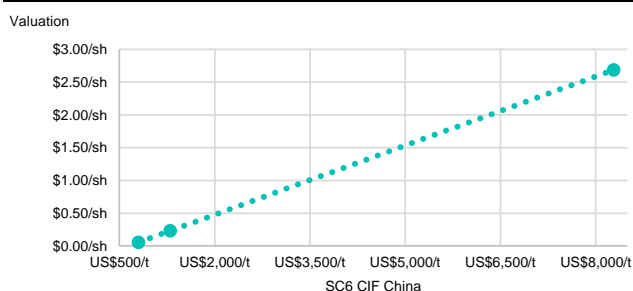
## Valuation scenarios: Leverage to price & project risk discount

### VALUATION LEVERAGE TO LITHIUM COMMODITY PRICES

**Table 6 - Valuation sensitivity**

	Scenario 1	Scenario 2	Scenario 3
	Low	Bell Potter	"Spot"
<b>SC6 reference price CIF</b>	<b>US\$800/t</b>	<b>US\$1,300/t</b>	<b>US\$8,287/t</b>
Salinas	78	493	6,277
Other	19	19	19
<b>EV (risked)</b>	<b>97</b>	<b>511</b>	<b>6,295</b>
Diluted net debt/(cash) - diluted	-33	-33	-33
<b>Equity value (diluted)</b>	<b>\$129m</b>	<b>\$544m</b>	<b>\$6,328m</b>
Diluted shares on issue m	2,354m		
<b>Equity value (diluted) \$/sh</b>	<b>\$0.06/sh</b>	<b>\$0.23/sh</b>	<b>\$2.69/sh</b>

SOURCE: BELL POTTER SECURITIES ESTIMATES

**Figure 4 - Valuation sensitivity**


SOURCE: BELL POTTER SECURITIES ESTIMATES

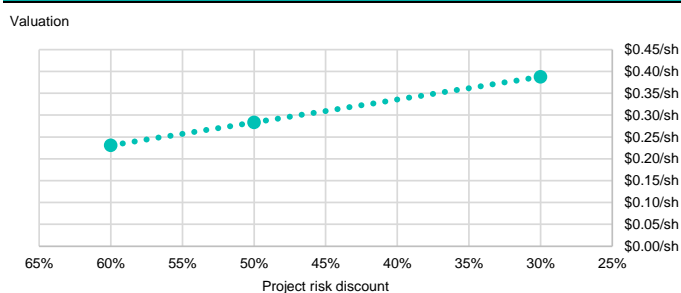
### VALUATION LEVERAGE TO PROJECT RISK DISCOUNT

A discounted cash flow model of a notional project development at Salinas is the core component of our LRS valuation. We have applied a large risk discount to this DCF to take into account the project's very early stage. The following scenarios outline the value uplift should this risk discount be unwound.

**Table 7 - Valuation sensitivity**

	Scenario 1	Scenario 2	Scenario 3
	Base case	PEA complete	BFS complete
<b>Risk discount</b>	<b>60%</b>	<b>50%</b>	<b>30%</b>
Salinas + Resource upside	493	616	862
Other	19	19	19
<b>EV (risked)</b>	<b>511</b>	<b>634</b>	<b>881</b>
Diluted net debt/(cash) - diluted	-33	-33	-33
<b>Equity value (diluted)</b>	<b>\$544m</b>	<b>\$667m</b>	<b>\$913m</b>
Diluted shares on issue m	2,354m		
<b>Equity value (diluted) \$/sh</b>	<b>\$0.23/sh</b>	<b>\$0.28/sh</b>	<b>\$0.39/sh</b>

SOURCE: BELL POTTER SECURITIES ESTIMATES

**Figure 5 - Valuation sensitivity**


SOURCE: BELL POTTER SECURITIES ESTIMATES

# Company summary

## Company description

LRS listed on the ASX in 2010 and is now focussed on lithium exploration and project development across its tenements in the state of Minas Gerais, Brazil. The Colina Prospect at the company's Salinas project is most advanced, hosting intersections of high grade spodumene bearing pegmatites; a Resource drill-out is ongoing and an initial JORC Mineral Resource Estimate expected by the end of 2022. An additional discovery at Colina West and other exploration targets across the tenement portfolio have the potential to expand upon this initial Resource position.

LRS has also engaged consultants to complete a Preliminary Economic Assessment of a mine and processing plant at Salinas. Pending the results of the PEA, further feasibility studies are expected to be fast-tracked for a near-term development decision.

Other assets in the LRS portfolio include: Cloud Nine Halloysite-Kaolin (Western Australia, LRS 100%); Catamarca Lithium Project (Argentina, LRS 50%); MT-03 Copper Project (Peru, LRS 100%).

## Investment view: Speculative Buy, Valuation \$0.22/sh

We expect material value accretion as LRS adds to the Salinas MRE and ultimately defines its path to development. Our LRS valuation is based on modelling a notional project development at Salinas, heavily risked for its early stage of assessment. We expect the company to aggressively pursue the required feasibility studies and environmental permitting to de-risk Salinas with further potential upside from step-out and regional exploration over the short term.

In this report we have increased our LRS valuation to \$0.22/sh (previously \$0.18/sh). LRS is an asset development company with prospective operations and cash flows. Our Speculative risk rating recognises this higher level of risk and volatility of returns.

## Valuation methodology

Our valuation is based on:

- Salinas: A risked, discounted cash flow analysis of a notional lithium project development;
- Cloud Nine: High level value assessment based on peer projects and listed entities; and
- Other assets: High level estimate.



# Investment risks

Risks include, but are not limited to:

- **Commodity price and exchange rate fluctuations.** The future earnings and valuations of exploration, development and operating resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Infrastructure access.** Commodity producers are reliant upon access to transport and energy infrastructure. Access to infrastructure is often subject to contractual agreements, permits, and capacity allocations. Agreements are typically long-term in nature (+10 years). Infrastructure can be subject to outages as a result of weather events or the actions of third party providers.
- **Operating and capital cost fluctuations.** Markets for exploration, project development and processing inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy, reagents and labour markets.
- **Resource growth and project life extensions.** Future earnings forecasts and valuations may rely upon Resource and Reserve growth to extend mine lives.
- **Sovereign risks.** Mining companies' assets are subject to the sovereign risks associated with the countries within which they operate.
- **Regulatory changes risks.** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies.
- **Environmental risks.** Resources companies are exposed to risks associated with environmental degradation as a result of their exploration and development processes.
- **Operating and development risks.** Resources companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single operation company. Development assets can be subject to approvals timelines or weather events, causing delays to commissioning and commercial production.
- **Occupational health and safety risks.** Resources companies are particularly exposed to OH&S risks given the physical nature and human resource intensity of operating assets.
- **Funding and capital management risks.** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments, and managing debt repayments.
- **Merger/acquisition risks.** Risks associated with value transferred during merger and acquisition activity.
- **COVID-19/pandemic risks:** Resources companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.

#### Table 8 - Financial summary

Date		8/12/22					Bell Potter Securities																						
Price	A\$/sh	0.130					Stuart Howe (showe@bellpotter.com.au, +61 3 9235 1856)																						
Valuation	A\$/sh	0.220					James Williamson (jwilliamson@bellpotter.com.au, +61 3 9235 1692)																						
<b>PROFIT AND LOSS</b>												<b>FINANCIAL RATIOS</b>																	
<b>Year ending 31 December</b>	<b>Unit</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	<b>Year ending 31 December</b>	<b>Unit</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>																
Revenue	\$m	0	0	0	89	353	<b>VALUATION</b>																						
Expenses	\$m	(15)	(23)	(23)	(44)	(129)	EPS (adjusted)	Ac/sh	(0.9)	(1.3)	(0.9)	0.9	5.4																
<b>EBITDA</b>	<b>\$m</b>	<b>(15)</b>	<b>(23)</b>	<b>(23)</b>	<b>44</b>	<b>225</b>	EPS growth (Acps)	%	na	na	na	na	521%																
Depreciation & amortisation	\$m	(0)	-	-	(6)	(27)	PER	x	(13.7)	(9.6)	(14.3)	15.0	2.4																
EBIT	\$m	(15)	(23)	(23)	38	197	DPS	Ac/sh	-	-	-	-	-																
Net interest expense	\$m	0	1	1	(3)	(6)	Franking	%	0%	0%	0%	0%	0%																
Profit before tax	\$m	(15)	(22)	(21)	35	192	Yield	%	0%	0%	0%	0%	0%																
Tax expense	\$m	-	-	-	(12)	(48)	FCF/share	Ac/sh	(0.8)	(1.1)	(8.8)	(1.8)	5.4																
<b>NPAT (reported)</b>	<b>\$m</b>	<b>(15)</b>	<b>(22)</b>	<b>(21)</b>	<b>23</b>	<b>144</b>	FCF yield	%	-6%	-8%	-68%	-14%	42%																
<b>NPAT (adjusted)</b>	<b>\$m</b>	<b>(15)</b>	<b>(22)</b>	<b>(21)</b>	<b>23</b>	<b>144</b>	EV/EBITDA	x	-15.2x	-10.1x	-10.1x	5.2x	1.0x																
<b>CASH FLOW STATEMENT</b>												<b>LIQUIDITY &amp; LEVERAGE</b>																	
<b>Year ending 31 December</b>	<b>Unit</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	Net debt / (cash)	\$m	(25.7)	(37.3)	45.8	93.3	(51.1)																
<b>OPERATING CASH FLOW</b>												Net debt / Equity	%	-66%	-81%	31%	55%	-16%											
Receipts from customers	\$m	0	0	0	80	318	Net debt / Net debt + Equity	%	-192%	-422%	24%	35%	-19%																
Payments to suppliers and employees	\$m	(9)	(18)	(18)	(36)	(103)	Net debt / EBITDA	x	1.7x	1.6x	-2.0x	2.1x	-0.2x																
Tax paid	\$m	-	-	-	(12)	(48)	EBITDA / net int expense	x	0.0x	0.0x	0.0x	15.1x	40.1x																
Net interest	\$m	-	1	1	(3)	(6)	<b>PROFITABILITY RATIOS</b>																						
Other	\$m	0	-	-	-	-	EBITDA margin	%	0%	0%	0%	50%	64%																
<b>Operating cash flow</b>	<b>\$m</b>	<b>(9)</b>	<b>(17)</b>	<b>(17)</b>	<b>30</b>	<b>162</b>	EBIT margin	%	0%	0%	0%	43%	56%																
<b>INVESTING CASH FLOW</b>												Return on assets	%	-41%	-40%	-14%	8%	33%											
Capex	\$m	(4)	-	(189)	(77)	(17)	Return on equity	%	-45%	-45%	-18%	15%	59%																
Other	\$m	(0)	-	-	-	-	<b>ASSUMPTIONS - Prices (nominal)</b>																						
<b>Investing cash flow</b>	<b>\$m</b>	<b>(4)</b>	<b>-</b>	<b>(189)</b>	<b>(77)</b>	<b>(17)</b>	<b>Year ending 31 December</b>	<b>Unit</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>																
<b>FINANCING CASH FLOW</b>												Spodumene concentrate (6% basis)	US\$/t	6,361	3,750	1,300	1,300	1,300											
Debt proceeds/(repayments)	\$m	-	-	77	77	-	Lithium Carbonate (battery grade)	US\$/t	71,670	50,000	25,000	25,000	25,000																
Dividends paid	\$m	-	-	-	-	-	AUD:USD	US\$/A\$	0.66	0.67	0.70	0.70	0.70																
Proceeds share issues (net, incl. options)	\$m	38	29	122	-	-	<b>Sales/production</b>																						
Other	\$m	0	-	-	-	-	<b>Year ending 31 December</b>	<b>Unit</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>																
<b>Financing cash flow</b>	<b>\$m</b>	<b>38</b>	<b>29</b>	<b>199</b>	<b>77</b>	<b>-</b>	Salinas (100%)	kt SC6	-	-	-	58	213																
<b>Change in cash</b>	<b>\$m</b>	<b>25</b>	<b>12</b>	<b>(6)</b>	<b>30</b>	<b>144</b>	Salinas (100%)	kt LCE	-	-	-	8	29																
Free cash flow	\$m	(13)	(17)	(205)	(47)	144	<b>VALUATION (Discount rate 8.0%)</b>																						
<b>BALANCE SHEET</b>												<b>100% basis</b>						<b>% Equity basis</b>						<b>% Risk Equity basis</b>					
<b>Year ending 31 December</b>	<b>Unit</b>	<b>2022e</b>	<b>2023e</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>	Salinas (project)	770	100%	770	60%	308																	
<b>ASSETS</b>												Salinas (Resource upside)						185											
Cash	\$m	26	38	32	61	206	Other projects					30																	
Receivables	\$m	1	1	1	10	45	<b>Total projects</b>					<b>543</b>																	
Inventories	\$m	-	-	-	-	-	Corporate overheads					(31)																	
Capital assets	\$m	16	16	205	275	265	<b>Enterprise value</b>					<b>511</b>																	
Other assets	\$m	1	1	1	1	1	Net debt (diluted)					(33)																	
<b>Total assets</b>	<b>\$m</b>	<b>44</b>	<b>55</b>	<b>238</b>	<b>347</b>	<b>517</b>	<b>Equity value</b>					<b>544</b>																	
<b>LIABILITIES</b>												Diluted shares on issue m				2,354													
Creditors	\$m	4	9	14	22	48	<b>Equity value \$/sh</b>					<b>0.23</b>																	
Borrowings	\$m	-	-	77	154	154	<b>Assumed near-term equity raise</b>																						
Provisions	\$m	0	0	0	0	0	Value \$m	30																					
Other liabilities	\$m	0	0	0	0	0	Current share price \$/sh	0.13																					
<b>Total liabilities</b>	<b>\$m</b>	<b>5</b>	<b>9</b>	<b>91</b>	<b>177</b>	<b>203</b>	Raise discount %	10%																					
<b>NET ASSETS</b>	<b>\$m</b>	<b>39</b>	<b>46</b>	<b>147</b>	<b>170</b>	<b>314</b>	Raise price A\$/sh	0.12																					
Share capital	\$m	98	126	249	249	249	New shares m	256																					
Reserves	\$m	18	18	18	18	18	<b>After assumed near-term equity raise</b>																						
Accumulated losses	\$m	(77)	(99)	(120)	(97)	(47)	Net debt					(63)																	
Non-controlling interest	\$m	0	0	0	0	0	<b>Equity value</b>					<b>574</b>																	
<b>SHAREHOLDER EQUITY</b>	<b>\$m</b>	<b>39</b>	<b>46</b>	<b>147</b>	<b>170</b>	<b>314</b>	Diluted shares on issue m (after assumed raise)					2,610																	
Weighted average shares	m	1,592	1,594	2,339	2,668	2,668	<b>Equity value \$/sh</b>					<b>0.22</b>																	

SOURCE: BELL POTTER SECURITIES ESTIMATES

**Recommendation structure**

**Buy:** Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

**Hold:** Expect total return between -5% and 15% on a 12 month view

**Sell:** Expect <-5% total return on a 12 month view

*Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.*

*Such investments may carry an exceptionally high level of capital risk and volatility of returns.*

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