



Piedmont Lithium Ltd (PLL.ASX)

New drill campaign to define maiden JORC Resource

Event:

- Announcement of new drill campaign and exploration target; Move to formal research coverage.

Investment Highlights:

- Piedmont Lithium (PLL) announced successful completion of its 12,262m Phase 2 drill campaign at its Piedmont project**, with further assay results showing lithium mineralisation consistent with previous holes.
- A new drill campaign of 20,000m was launched last month**, with the aim of 1) Defining a maiden JORC Resource; and 2) Testing further extensions of pegmatites down dip and along strike.
- PLL announced an Exploration Target of 10-15Mt at 1.0-1.25% for the Piedmont project**, based on preliminary geological modelling of drill results so far. The target was estimated by CSA Global. We do not see the Target as indication of the final size of the project resource, but more as a starting base from what has been drilled to date. This is because mineralisation remains open along strike and depth.
- We expect a maiden JORC Resource to be announced in early-mid CY2018, post the new drill campaign.** 13,000m of the 20,000m drilling will be targeting infill, and we expect the Resource to comprise a significant Indicated component. This will facilitate PLL to soon complete a Scoping Study on Piedmont. We believe the company is at least targeting a ten year mine life at a 1Mtpa rate. Given the Exploration Target, this is certainly achievable.
- PLL undertook a \$16M equity placement in October 2017 which will expedite development of the project including the new drill campaign and studies.** The company also has acquired further land acreage in Piedmont, increasing its holding by 26% to 903 acres. PLL is still engaged in conversations with landowners to acquire more land in the area.

Earnings and Valuation:

- The Exploration Target has allowed us to perform a comparative peer valuation using EV/Resource multiples**, given the absence at this stage of any mine study parameters prevents us from undertaking a DCF.
- We selected a peer group of 14 purely hard rock spodumene players in various jurisdictions and development stages with JORC Resources**, and applied the average multiple to PLL assuming its converts its Exploration Target to a JORC Resource.
- We derived a valuation range of \$0.215/share to \$0.460/share, with a mean of \$0.300/sh.** The higher end represents advanced projects while the lower end those at an earlier stage.

Recommendation:

- We maintain our Speculative Buy on PLL, and derive a 12-month price target (PT) of \$0.300/share (previously no PT).** Our price target is based on applying average peer EV/resource multiple to PLL's Exploration Target. We also move PLL to formal research coverage (previously covered under Talking Point).
- Catalysts for the share price** include drill results; maiden JORC Resource; scoping study; met test results; permitting.

Recommendation	Speculative Buy
Previous	Speculative Buy
Risk	Very High
Price Target	\$0.30
Previous	na
Share Price (A\$)	\$ 0.215
ASX Code	PLL
52 week low - high (A\$)	0.07-0.255
Capital structure	
Shares on Issue (M)	554
Market Cap (A\$M)	119
Net Cash/(Debt) (A\$M)	18
EV (A\$M) proforma*	19
Options (M)	81
Performance rights (M)	2
Fully diluted EV (\$M)	119
12mth Ave Daily Volume ('000)	858

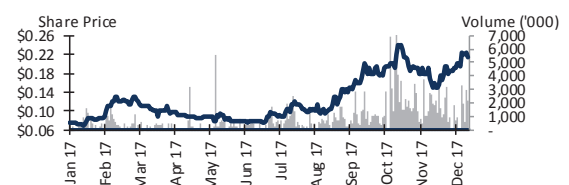
Board

Ian Middlemas	Non-Executive Chairman
Keith Phillips	Managing Director
Taso Arima	Executive Director
Robert Behets	Non-Executive Director
Levi Mochkin	Non-Executive Director
Mark Pearce	Non-Executive Director

Substantial shareholders

NASDAQ Securities Australia Pty Ltd	9.5%
Australian Super Pty Ltd	5.6%

Share Price Graph



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The analyst does not own PLL securities.

Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 1,164,063 PLL shares.
 Cranport Pty Ltd owns 4,000,000 PLL shares.

Foster Stockbroking acted as Sole Lead Manager to the \$16M placement of 100M PLL shares at \$0.16/share in October 2017. Foster Stockbroking received fees for this service.