



Piedmont Lithium Ltd (PLL.ASX)

Maiden resource just the beginning

Event:

- Maiden JORC Resource; Price target upgrade.

Investment Highlights:

- **Piedmont Lithium (PLL) announced a maiden JORC Resources of 16.2Mt @ 1.12% Li₂O for its Piedmont Project (Piedmont), equivalent to 181kt contained Li₂O or 0.45Mt of lithium carbonate equivalent (LCE).** In terms of contained lithium the Resource was at the upper end of its previous Exploration Target.
- **The Resource is shallow and open-pittable, extending from surface to 200m depth, with average depth 150m, and wholly contained within PLL's contiguous 530 acre Core property.** A spodumene SC6.0 price of US\$750/t was used to optimise the pit shell, which is below current spot prices and at upper end of consensus long-term forecasts.
- **The majority of the Resources (52%, or 8.5Mt) was in the Indicated category, which paves the way for the company to rapidly expedite a Scoping Study.** The company also announced a new exploration Target of 4.5 to 5.5Mt @ 1.1%-1.2% Li₂O, in addition to the JORC Resource. The Target is wholly within the Core Property and includes direct extensions of the existing Resource corridors. Should the company be successful in converting the Target, this would push the Resource to over 20Mt on the Core property.
- **Scoping Study expected in 3Q CY2018e the next major catalyst.** We expect the Study to include financial metrics on the project such as operating and capital costs for mine, concentrator, and conversion plant. We anticipate it will highlight the attractive location of the project including availability of existing infrastructure and resources such as power, water, roads, rail, airport, local workforce and services, and favourable state permitting, labour costs, and taxes.
- **Sunnyside property offers even more resource upside.** Drilling is underway at the 255 acre Sunnyside property and we envisage that this property could offer more resource potential should initial drill results prove promising.

Earnings and Valuation:

- **We increase our valuation of PLL to \$0.32/share (previously \$0.30), following applying an updated average peer EV/Resource tonne multiple of A\$288/t on PLL's Resource and Exploration Target.** This multiple included a blend of both explorers, developers, and producers that are in the hard rock spodumene listed space in Australia and Canada. We included the Exploration Target in our valuation to account for the additional resource potential at Piedmont, and a blend of producers in the multiple to account for the probability of PLL progressing Piedmont towards production.

Recommendation:

- **We maintain our Speculative Buy on PLL, and increase our 12-month price target (PT) to \$0.32/share (previously \$0.30), based on our valuation.**
- **Catalysts for the share price** include i) Further drill results; ii) Scoping Study results; iii) Pilot scale metallurgical work; iv) Submissions for permitting; and v) By- products study.

Recommendation	Speculative Buy
Previous	Speculative Buy
Risk	Very High
Price Target	\$0.32
Previous	\$0.30
Share Price (A\$)	\$ 0.20
ASX Code	PLL
52 week low - high (A\$)	0.075-0.255

Capital structure	
Shares on Issue (M)	559
Market Cap (A\$M)	112
Net Cash/(Debt) (A\$M)	13
EV (A\$M)	99
Options (M)	79
Performance rights (M)	1
Fully diluted EV (\$M)	115
12mth Ave Daily Volume ('000)	1,130

Board	
Ian Middlemas	Non-Executive Chairman
Keith Phillips	Managing Director
Taso Arima	Executive Director
Jorge Beristain	Non-Executive Director
Levi Mochkin	Non-Executive Director
Mark Pearce	Non-Executive Director

Substantial shareholders	
NASDAQ Securities Australia Pty Ltd	9.4%
Australian Super Pty Ltd	7.8%



Analyst: Mark Fichera +612 9993 8162
mark.fichera@fostock.com.au

The analyst does not own PLL securities.
Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 323,438 PLL shares.
Cranport Pty Ltd does not own PLL shares.
Refer to disclosures at end of report for details.

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.