



## Piedmont Lithium Ltd (PLL.ASX)

*By-product credits entrenches low cost position*

### Event:

- Updated scoping study; commodity price changes; Price Target change.

### Investment Highlights:

- Piedmont Lithium (PLL) released an updated Scoping Study on its Piedmont project in September which included by-products.** The revised study quoted an NPV<sub>8</sub> of US\$888M, up 14% on the original study's US\$777M, mostly due to inclusion of revenues from production of quartz (99ktpa), feldspar (125ktpa) and mica (15.5ktpa). These minerals are all contained within the existing JORC Resource.
- The study quoted integrated cash costs of US\$3,112/t LiOH, down 21% on the prior study's US\$3,960/t, and spodumene costs of US\$193/t vs US\$294/t previously.** The inclusion of credits in cash costs further entrenches the project's position in the bottom cost quartile for both spodumene and LiOH.
- The strategy behind by-products is not only lowering costs, but minimising external funding required for the chemical plant.** The study expects US\$163M of mine cash flow prior to completion of chemical plant construction vs US\$128M previously. Pre-production mine capex increases to US\$130M (prior US\$110M) for inclusion of a by-products processing circuit.
- Seeking to displace imports.** The production forecast in the Study of by-products has been tailored to what PLL believes the market can absorb, rather than what can be maximised from mining. We expect the company should be able to displace imports, given the freight advantage.
- We have downgraded our forecast lithium prices, maintaining these in-line with consensus.** Lithium hydroxide has been cut by 7% to 15% over FY19e-FY22e, and by 2% long-term to US\$13,190/t. Spodumene SC6.0 forecasts are cut 2% to 8% over same period, and long-term by 7% to US\$589/t.
- We value the Piedmont project at US\$545M vs study's US\$888M.** Our valuation of the project increases to US\$545M from US\$532M, based on inclusion of the by-product credits, partially offset by cut to lithium prices. The key difference for our lower valuation vs that of the study is assuming lower lithium prices.
- Initial drill results at Sunnyside and Central properties promising.** The results displayed some of the largest continuous intersections recorded to date. This provides upside to the project should resources be proven at these properties, adding to the current Core property Resource.

### Valuation and Earnings:

- PLL valuation cut to \$0.29/share from \$0.34/share.** We reduce our NPV<sub>10</sub> valuation of PLL to \$0.29/share, from \$0.34/share. The decline has been mostly due to factoring in a greater equity raise at a more dilutive price, partially offset by higher valuation of the Piedmont project.

### Recommendation:

- We maintain our Speculative Buy on PLL, reducing our 12-month price target to \$0.29/share (previously \$0.34),** based on our 1.0x price/risked NPV.
- Catalysts for the share price** include 1) Exploration results; 2) Metallurgical work; 3) Permitting; 4) Resource upgrades; 5) Reserves; and 6) PFS.

### Disclosures

The analyst does not own PLL securities.

Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 352,890 PLL shares. Cranport Pty Ltd owns 788,192 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 the service. Foster Stockbroking has also provided corporate advice to PLL.**

Recommendation	Speculative Buy
Previous	Speculative Buy
Risk	Very High
Price Target	\$0.29
Previous	\$0.34
Valuation	\$0.29
Methodology	1.0x price/risked NPV
Share Price (A\$)	\$ 0.140
ASX Code	PLL
52 week low - high (A\$)	0.125-0.255

### Capital structure

Shares on Issue (M)	559
<b>Market Cap (A\$M)</b>	<b>78</b>
Net Cash/(Debt) (A\$M)	10
<b>EV (A\$M)</b>	<b>68</b>
Options (M)	83
Performanc erights (M)	1
<b>Fully diluted EV (\$M)</b>	<b>80</b>
12mth Ave Daily Volume ('000)	1,045

Estimates y/e Jun	2018e	2019e	2020e	2021e
Sales US\$M	0.0	0.0	0.0	31.8
EBITDA US\$M	-9.6	-9.4	-10.1	9.3
<b>NPAT adj US\$M</b>	<b>-9.4</b>	<b>-9.2</b>	<b>-9.9</b>	<b>-41.0</b>
<b>EPS adj US\$</b>	<b>-0.01</b>	<b>-0.02</b>	<b>-0.02</b>	<b>-0.02</b>
<b>EV/EBITDA x</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>6.1x</b>

### Board

Ian Middlemas	Non-Executive Chairman
Keith Phillips	Managing Director
Taso Arima	Executive Director
Jorge Beristain	Non-Executive Director
Levi Mochkin	Non-Executive Director
Jeffrey Armstrong	Non-Executive Director

### Substantial shareholders

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

### Share Price Graph



Analyst: Mark Fichera  
[mark.fichera@fostock.com.au](mailto:mark.fichera@fostock.com.au)

+612 9993 8162