



## Piedmont Lithium Ltd (PLL.ASX)

*No longer a minnow*

### Event:

- Resource upgrade; Earnings, Valuation and Price Target changes.

### Investment Highlights:

- Piedmont Lithium (PLL) reported an increase in JORC Resource to 27.9Mt at 1.1% Li<sub>2</sub>O from 19Mt at 1.15% Li<sub>2</sub>O for its Piedmont project, representing a 47% increase in tonnes and 42% in LCE.** The increase was due exclusively to the Core property. Resources now stand at 25.1Mt at the Core property and 2.8Mt at Central.
- The rise in Resources provides the potential for at least a 20 year mine life at 1.2Mtpa spodumene/24ktpa LiOH, should PLL be successful in converting most of it into Reserves.** While obviously not on the scale of a Wodgina, Pilgangoora (PLS), or Mt Holland, Piedmont is now comparable on a Resources with a Whabouchi, Bald Hill, or Altura Pilgangoora. Surpassing a potential 20-year life of mine is crucial in attracting parties interested either in offtake or acquiring lithium assets.
- Nearly half of the Resource lies in the Inferred category, and PLL will undertake infill drilling in the 2HCY19e to shift tonnes into Measured and Indicated and eventually into Reserves.** In addition to the JORC Resource, PLL announced an Exploration Target of 6 to 7Mt at 1.0%-1.2% Li<sub>2</sub>O across Core and Central.
- Updated Scoping Study to be released next month.** A number of major milestones are to be released by PLL over the next 6 to 12 months, including an updated Scoping Study scheduled for July to incorporate increased Resources; Further drilling results; Receipt of permitting approvals from Federal and State Government bodies, including a mining permit; Completion of DFS; and financing and offtake initiatives.
- Downgrade to lithium prices.** Given the market malaise, we recently downgraded our forecast spodumene and LiOH prices, which we believe are in-line with market consensus.

### Valuation and Earnings:

- We have downgraded our earnings forecasts for PLL due to the cut in our lithium prices.** We still assume first spodumene sales in 2H FY21e.
- Valuation increases to \$0.29 from \$0.23.** Our DCF valuation of PLL has increased due to assuming the additional JORC Resources (risked by 30%) being mined post the current Scoping Study life-of-mine, and less dilution by assuming future equity raisings at a higher share price than previous (\$0.15 vs \$0.10). These have more than offset the negative impact of lower earnings from cuts to our lithium price forecasts.

### Recommendation:

- We maintain our Speculative Buy on PLL, increasing our 12-month price target to \$0.29 from \$0.23,** based on 1.0x risked NPV.
- Catalysts for the share price** include 1) Updated scoping study; 2) Exploration and metallurgical results; 3) Permitting approvals; 4) Maiden JORC Reserves; and 6) DFS.

### Disclosures

The analyst does not own PLL securities.

Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 198,438 PLL shares. Cranport Pty Ltd owns 1,583,572 PLL shares. Refer disclosures at end of report for details.

**Foster Stockbroking acted as Co-Manager to the A\$12M placement of 111M shares at \$0.11 in December 2018**  
**Foster Stockbroking received fees for these services**  
**Foster Stockbroking also provided corporate and capital markets advice to PLL for which it received fees.**  
**Refer details end of report.**

Recommendation	Speculative Buy
Previous	Speculative Buy
Risk	Very High
Price Target	\$0.29
Previous	\$0.23
Valuation	\$0.29
Methodology	DCF
Share Price (A\$)	\$ 0.170
ASX Code	PLL
52 week low - high (A\$)	0.091-0.195

### Capital structure

Shares on Issue (M)	670
<b>Market Cap (A\$M)</b>	<b>114</b>
Net Cash/(Debt) (A\$M)	10
<b>EV (A\$M)</b>	<b>104</b>
Options (M)	86
Performance rights (M)	0
<b>Fully diluted EV (\$M)*</b>	<b>119</b>
12mth Ave Daily Volume ('000)	669

Estimates y/e Jun	2018e	2019e	2020e	2021e
Sales US\$M	0.0	0.0	0.0	27.5
EBITDA US\$M	-9.6	-9.1	-9.8	5.3
<b>NPAT adj US\$M</b>	<b>-10.0</b>	<b>-9.2</b>	<b>-9.7</b>	<b>-45.2</b>
<b>EPS adj US\$</b>	<b>-0.02</b>	<b>-0.01</b>	<b>0.00</b>	<b>-0.02</b>
<b>EV/EBITDA x</b>	<b>nm</b>	<b>nm</b>	<b>nm</b>	<b>12.9</b>

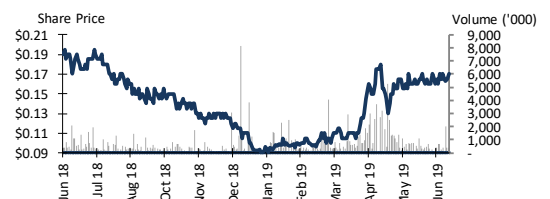
### Board

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

Australian Super Pty Ltd	13.3%
NASDAQ Securities Australia Pty Ltd	7.9%
Bank of New York Mellon Corporation	6.4%

### Share Price Graph



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