

Analysts

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Allkem Ltd (AKE)

1H FY22 result: Lithium price momentum

Recommendation

Buy (unchanged)

Price

\$9.07

Target (12 months)

\$18.05 (previously \$17.51)

GICS Sector

Materials

Expected Return

Capital growth	99%
Dividend yield	0%
Total expected return	99%

Company Data & Ratios

Enterprise value	\$5,681m
Market cap	\$5,782m
Issued capital	638m
Free float	84%
Avg. daily val. (52wk)	\$30.5m
12 month price range	\$3.95-\$11.97

Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	9.16	9.72	5.23
Absolute (%)	-1.0	-6.7	73.4
Rel market (%)	-2.2	-1.6	70.2

Absolute Price


SOURCE: IRESS

Strong underlying result on Galaxy contribution

AKE reported underlying 1H FY22 EBITDA of US\$98m (BP est. US\$83m) and NPAT of US\$57m (BP est. US\$44m). Reported 1H FY22 NPAT was US\$13m after non-operating adjustments mostly relating to the Galaxy acquisition, inventory mark-to-markets and revalued tax losses. The consolidated result included performance from the Galaxy assets from the merger date (25 August 2021), with EBITDA contributions of US\$35m from Olaroz and US\$71m from Mt Cattlin. As expected, no dividend was declared. At 31 December 2022, AKE had cash of US\$450m, borrowings of US\$330m and leases of US\$47m giving a net cash position of US\$73m.

Lithium pricing continues to improve

AKE now expect 2H FY22 lithium carbonate pricing to average US\$25,000/t (previously US\$20,000/t) and maintained an expected March 2022 quarterly spodumene price of US\$2,500/t. As previously reported, AKE's Olaroz sales are now priced on a shorter term basis while Mt Cattlin spodumene sales are set quarterly on a per cargo basis with reference to spot spodumene prices. AKE therefore will see record high lithium prices flow through to earnings until at least until at least 2H 2022.

EPS changes in this report mostly reflect higher expected lithium commodity price realisation: FY22 +11%; FY23 +13%; and FY24 +6%.

Investment thesis: Buy, TP\$18.05/sh (previously \$17.51/sh)

AKE is a go-to stock for multi-project exposure to lithium markets. AKE will realise significantly higher prices from 2022, driving material operating cash flow growth. Looking ahead, AKE has a portfolio of growth projects to materially lift production over the next three years. Naraha will commence conversion of primary grade lithium carbonate into 10ktpa battery grade lithium hydroxide by mid-2022. At Olaroz, an additional 25ktpa LCE capacity will be commissioned from 2H 2022, lifting capacity at this asset to over 40ktpa. Construction of Sal de Vida Stage 1 at around 11ktpa LCE has commenced for first production from 2023. In aggregate, we expect AKE's equity share of production to lift from 33kt LCE in FY21 to over 50ktpa LCE by FY24.

Earnings Forecast

Year ending 30 June	2021a	2022e	2023e	2024e
Sales (US\$m)	85	596	1,321	1,807
EBITDA (US\$m)	19	378	957	1,322
NPAT (reported) (US\$m)	(89)	193	658	942
NPAT (to owners) (US\$m)	(60)	169	519	722
EPS (to owners) (A¢ps)	(24.1)	40.9	111.5	155.0
EPS growth (%)	na	na	173%	39%
PER (x)	-37.6x	22.2x	8.1x	5.9x
FCF Yield (%)	-5%	6%	11%	19%
EV/EBITDA (x)	211.9x	10.8x	4.3x	3.1x
Dividend (A¢ps)	-	-	15.0	40.0
Yield (%)	0%	0%	2%	4%
Franking (%)	-	-	-	-
ROE (%)	-13%	13%	20%	24%

SOURCE: BELL POTTER SECURITIES ESTIMATES

1H FY22 result: Lithium price momentum

Table 1 - 1H FY22 results summary

Period ending	Dec-20(a)	Jun-21(a)	Jun-21(a)	Dec-21(a)	PcP(Δ%)	Dec-21 (Bell Potter)	(a) vs Bell Potter (Δ%)
FY / HY	HY	HY	FY	HY		HY	
Profit & loss							
Revenue US\$m	36	49	85	192	436%	174	11%
EBITDA (underlying) US\$m*	-2	21	19	98	na	83	18%
EBIT (underlying) US\$m*	-14	13	0	79	na	74	7%
NPAT (underlying) US\$m	-29	-60	-89	57	na	44	29%
Adjustments US\$m**	0	0	0	44	na	0	na
NPAT (reported) US\$m	-29	-60	-89	13	na	44	-71%
EPS US cps	-13.8	13.4	-0.4	3.0	na	6.5	-54%
DPS US cps	0	0	0	0	na	0	na
Balance sheet							
Cash US\$m	262	258	258	450			
Drawn debt (excl. leases) US\$m	206	266	266	330			
Net debt (excl. leases) US\$m	-56	8	8	-120			
Leases US\$m	32	36	36	47			
Net debt (incl. leases) US\$m	-24	44	44	-73			

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Key observations from the 1H FY22 result

- 1H FY22 result – Underlying numbers stronger than expected:**
 - AKE's 1H FY22 financial results reflect the Orocobre-Galaxy merger, effective 25 August 2022; historical figures in the table above reflect AKE's financials pre-merger;
 - Underlying 1H FY22 results were ahead of our estimates on higher price-led revenue; and
 - Adjustments (underlying to reported) reflect: Acquisition costs (-US\$12.8m); inventory adjustments (net -US\$18.1m); FX tax loss revaluation (-US\$23.8m); financial instrument gains (+US\$13.2m); and other (-US\$2.6m).
- Guidance – Realised lithium carbonate price upgraded:**
 - Lithium pricing upgraded: AKE upgraded its 2H FY22 lithium carbonate price expectation to average US\$25,000/t (previously US\$20,000/t). On the conference call, management noted that prices for individual sales in 2H FY22 ranged US\$15,000-45,000/t, depending on timing and terms;
 - Mt Catlin production, costs & expected pricing unchanged: FY22 production of 200-210kt, returning to life of mine head grade, with costs of US\$400-430/t FOB Australia. AKE maintained its March 2022 quarter pricing outlook of US\$2,500/t CIF China for SC6; and
 - Olaroz capex: Total Stage 2 unchanged at US\$365-380m, having been revised up 10-15% at the quarterly release in January 2022. At 31 December 2021, US\$266m (excl. VAT & working capital) had been incurred.
- Projects on track:**
 - Olaroz Stage 2 is 68% complete with first production expected in 2H 2022;
 - Naraha is at virtual completion stage with first production expected from 1H 2022;

- Sal de Vida construction commenced in January 2022, commissioning and first production is expected by 2H 2023, with studies to potentially expand Stage 1 to 15ktpa LCE (from 10.7ktpa); and
- James Bay (US\$286m capex for 321ktpa SC6 production) drilling commenced in January 2022 (Resource & sterilisation) and AKE are targeting construction from Q3 2022 and commissioning from 1H 2024.
- **Prices adjusting higher on strong spot markets:**
 - Mt Cattlin: Realised prices are negotiated quarterly on a cargo basis with reference to spot pricing for spodumene concentrate (adjusted for grade). For the March 2022 quarter, AKE have indicative pricing of US\$2,500/t CIF China for SC6 (shipments of 43.5kt). Upward price momentum continues with AKE “receiving offers for further shipments in line with spot prices”. Fastmarkets spot spodumene prices are currently US\$3,750/t CIF China.
 - Olaroz: AKE have successfully shifted pricing to closer reflect prevailing spot markets with sales volumes now linked approximately one-third to monthly spot indices, one-third under bi-monthly adjustments and one-third quarterly adjusted. Previously, bi-monthly priced volumes were under annual fixed price agreements.

Value catalysts & news flow

- **March 2022:** Strategy update, covering management’s updated post-merger views with respect to sequencing of development project and capital management.
- **June 2022 quarter:**
 1. Naraha commissioning and first lithium hydroxide production and sales.
 2. Updates on James Bay permitting, early works & FID.
 3. Early results from Mt Cattlin Resource extension and exploration drilling.
 4. Update on Sal de Vida permitting and potential for the project to be delivered over two larger staged (+15ktpa lithium carbonate), rather than the current 3 stage 10.7ktpa project.
- **2H 2022:** Olaroz Stage 2 expansion is commissioned, lifting lithium carbonate production from around 15ktpa to around 40ktpa.

Changes to earnings estimates & valuation

We have incorporated the 1H FY22 result and made the following changes:

- increased realised pricing across the Mt Cattlin and Olaroz assets, in line with AKE's guidance and our updated views;
- minor adjustments to other operating cost assumptions; and
- assumed AKE commence dividend payments in FY23.

The net impact of these changes are reflected in the table below.

Table 2 - Changes to earnings estimates

Year ending 30 June	Previous			New			Change		
	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
Equity sales LCE kt	38	44	54	38	44	54	0%	0%	0%
Revenue US\$m	498	1,212	1,751	596	1,321	1,807	20%	9%	3%
EBITDA US\$m	291	862	1,277	378	957	1,322	30%	11%	3%
EBIT US\$m	270	833	1,225	340	916	1,257	26%	10%	3%
NPAT (underlying) US\$m	178	598	902	237	658	942	33%	10%	4%
NPAT (reported) US\$m	178	598	902	193	658	942	8%	10%	4%
NPAT to owners US\$m	151	459	681	169	519	722	12%	13%	6%
EPS Acps	36.7	98.6	146.6	40.9	111.5	155.1	11%	13%	6%
DPS Acps	0.0	0.0	0.0	0.0	15.0	40.0	0%	0%	0%
Valuation A\$/sh	16.91	17.51	18.78	16.82	18.05	19.14	-1%	3%	2%

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Lithium price scenarios: Sensitivity & spot leverage

AKE sells spodumene below 6% Li₂O benchmark specifications from its Mt Cattlin operations in Western Australia and a mix of battery grade and primary grade lithium carbonate from its Olaroz development in Argentina. As such, the following sensitivity analysis can only provide a rough guide to earnings outcomes. The analysis references spot Asia delivered prices for spodumene and battery grade lithium carbonate from which we calculate the majority of AKE's realised prices.

Note: Under each scenario (including spot), spodumene and lithium carbonate price and currency estimates are flexed over the forecast period before returning to our long run estimates.

Table 3 - Price scenarios: Spodumene and battery grade lithium carbonate prices and AKE valuation

	SC6 US\$/t				Li ₂ CO ₃ US\$/t				Val'n \$/sh
	2022	2023	2023	LT	2022	2023	2023	LT	
+15%	3,450	2,875	2,875	1,495	57,500	46,000	46,000	28,750	21.73
+10%	3,300	2,750	2,750	1,430	55,000	44,000	44,000	27,500	20.50
+5%	3,150	2,625	2,625	1,365	52,500	42,000	42,000	26,250	19.28
Base case	3,000	2,500	2,500	1,300	50,000	40,000	40,000	25,000	18.05
-5%	2,850	2,375	2,375	1,235	47,500	38,000	38,000	23,750	16.82
-10%	2,700	2,250	2,250	1,170	45,000	36,000	36,000	22,500	15.59
-15%	2,550	2,125	2,125	1,105	42,500	34,000	34,000	21,250	14.37
"Spot"	3,750	3,750	3,750	3,750	66,500	66,500	66,500	66,500	55.58

SOURCE: BELL POTTER SECURITIES

Table 4 - Price scenarios: EBITDA and EV / EBITDA multiple sensitivity analysis

	EBITDA US\$m			EV/EBITDA x		
	FY22	FY23	FY24	FY22	FY23	FY24
+15%	432	1,143	1,576	9.4	3.6	2.6
+10%	414	1,081	1,491	9.9	3.8	2.7
+5%	396	1,019	1,407	10.3	4.0	2.9
Base case	378	957	1,322	10.8	4.3	3.1
-5%	359	896	1,237	11.4	4.6	3.3
-10%	341	834	1,153	12.0	4.9	3.5
-15%	323	772	1,068	12.6	5.3	3.8
"Spot"	480	1,538	2,902	8.5	2.7	1.4

SOURCE: BELL POTTER SECURITIES

Table 5 - Price scenarios: EPS and price earnings multiple sensitivity analysis

	EPS A\$/sh			PE x		
	FY22	FY23	FY24	FY22	FY23	FY24
+15%	49.1	135.0	187.2	18.5	6.7	4.8
+10%	46.4	127.1	176.5	19.6	7.1	5.1
+5%	43.6	119.3	165.8	20.8	7.6	5.5
Base case	40.9	111.5	155.0	22.2	8.1	5.9
-5%	38.1	103.7	144.3	23.8	8.7	6.3
-10%	35.4	95.8	133.6	25.7	9.5	6.8
-15%	32.6	88.0	122.9	27.8	10.3	7.4
"Spot"	55.8	182.2	350.9	16.2	5.0	2.6

SOURCE: BELL POTTER SECURITIES ESTIMATES

ASX-listed lithium sector

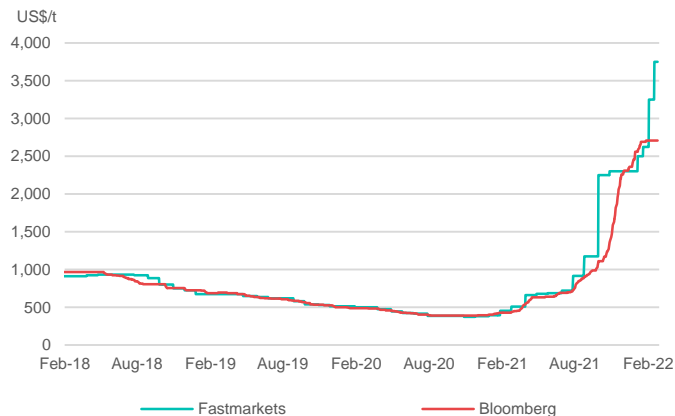
Resource, Reserve & production comparisons

Table 6 - Resource, Reserve & production comparisons

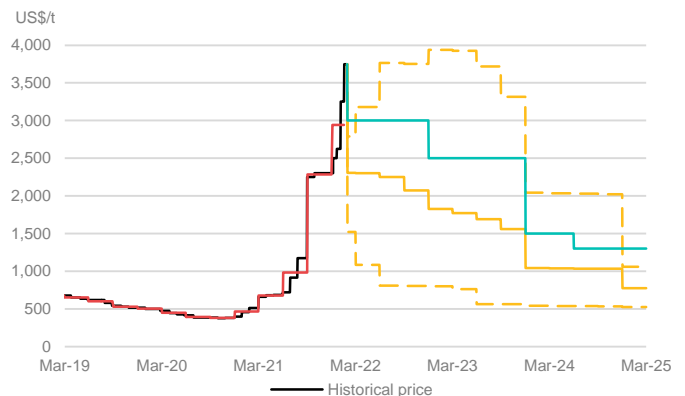
Name (ASX code)	EV (\$m)	Total LCE Resource (Mt)	Total LCE Reserve (Mt)	EV /Resource (\$/t)	EV /Reserve (\$/t)	Expected annual LCE production* (kt)	EV to production (\$/t)
Pilbara Minerals (PLS)	8,047	8.2	4.7	986	1,712	63	128
Allkem (AKE)	5,615	18.5	2.7	303	2,084	113	49
Liontown Resources (LTR)	2,685	5.8	2.5	466	1,095	76	36
AVZ Minerals (AVZ)	2,651	8.3	2.7	318	982	53	50
Core Lithium (CXO)	1,147	0.5	0.2	2,397	4,738	29	39
Vulcan Energy Resources (VUL)	1,044	14.0	1.1	74	932	35	30
Lake Resources (LKE)	1,035	3.3	0.0	314	na	19	54
Ioneer (INR)	928	0.6	0.3	1,484	3,198	10	96
Sayona Mining (SYA)	770	1.8	0.4	418	2,143	24	32
Argosy Minerals (AGY)	371	0.2	0.0	1,680	na	11	34
Piedmont Lithium (PLL)	255	1.7	0.6	151	414	35	7
Lithium Power International (LPI)	176	1.5	0.4	119	464	10	17
Jindalee Resources (JRL)	132	10.1	0.0	13	na	na	na
Green Technology Metals (GT1)	61	0.1	0.0	410	na	na	na
Mean				652	1,776		48
Median				364	1,404		37

SOURCE: COMPANY DATA, IRESS, BELL POTTER SECURITIES ESTIMATES
 NOTE: * EXPECTED PRODUCTION FROM EXISTING OPERATIONS OR PROJECT BEING DEVELOPED

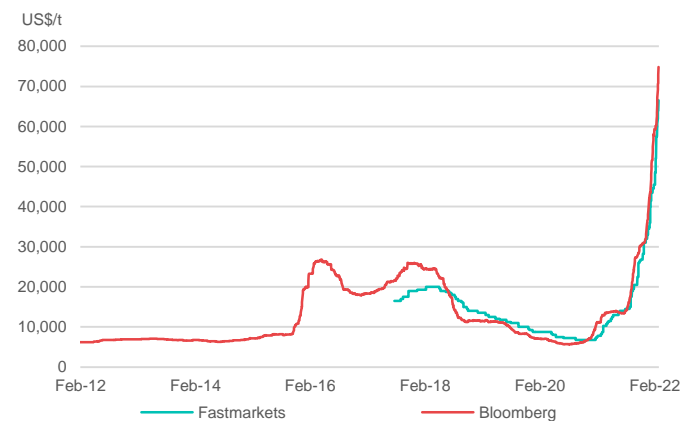
Lithium commodity price charts & outlook

Figure 1 - Spodumene price (min. 5-6%), CIF China


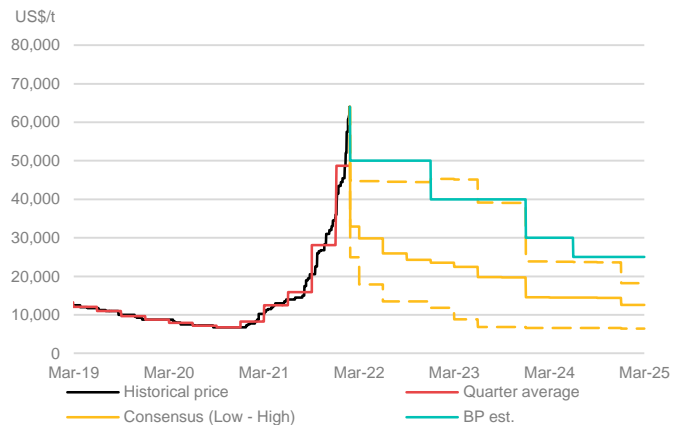
SOURCE: FASTMARKETS (MB-LI-0012) & BLOOMBERG (LICNSPDU INDEX)

Figure 2 - Historical & expected spodumene price, CIF China


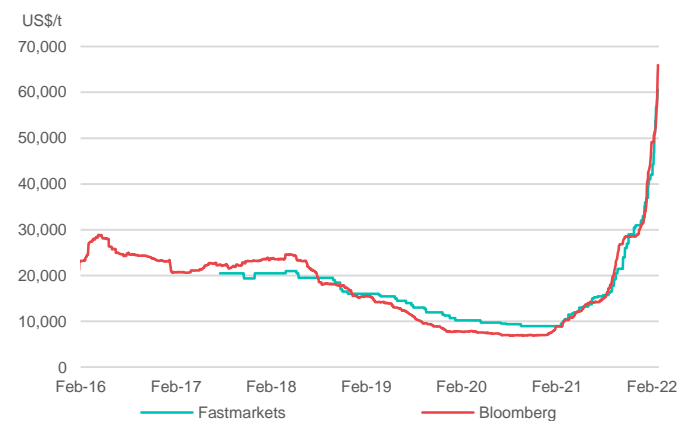
SOURCE: FASTMARKETS (MB-LI-0012) & CONSENSUS ECONOMICS

Figure 3 - Lithium carbonate price (battery grade), CIF NE Asia


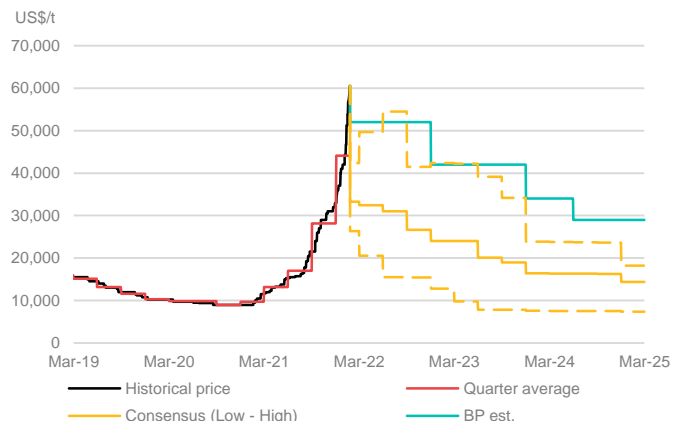
SOURCE: FASTMARKETS (MB-LI-0029) & BLOOMBERG (L4CNMJGO AMTL INDEX)

Figure 4 - Historical & expected Li carbonate price, CIF NE Asia


SOURCE: FASTMARKETS (MB-LI-0029) & CONSENSUS ECONOMICS

Figure 5 - Lithium hydroxide price (battery grade), CIF NE Asia


SOURCE: FASTMARKETS (MB-LI-0033) & BLOOMBERG (L6CNVRAT AMTL INDEX)

Figure 6 - Historical & expected Li hydroxide price, CIF NE Asia


SOURCE: FASTMARKETS (MB-LI-0033) & CONSENSUS ECONOMICS

Allkem Limited (AKE)

Company description

AKE owns and operates a diversified portfolio of lithium producing assets, including:

- Brine projects:
 1. **Olaroz** (Producing, 66.5% AKE, Jujuy province, Argentina): Producing since April 2015. A Stage 2 expansion at Olaroz will lift lithium carbonate capacity from current levels of 17.5ktpa to 42.5ktpa ramping up from early 2022. Subsequent expansions could further lift capacity at Olaroz.
 2. **Sal de Vida** (Under development, 100% AKE, Catamarca province, Argentina): Being developed in three 10.7ktpa lithium carbonate stages, the first of which will be commissioned in late 2022. AKE currently expect subsequent 10.7ktpa expansions to be commissioned in 2025 and 2027.
- Hard rock / spodumene concentrate projects:
 1. **Mt Cattlin** (Producing, 100% AKE, Ravensthorpe, Western Australia): Capacity of around 200ktpa of 5.6-5.8% Li₂O spodumene concentrate (28ktpa LCE) and mine life to 2025.
 2. **James Bay** (FID in 2022 for first production from 2024-25, 100% AKE, Québec, Canada): Potential production of 321ktpa of 5.6% Li₂O spodumene concentrate (44ktpa LCE) over an 19 year project life.
- Downstream project:
 1. **Naraha** (Under development, 75% AKE, Naraha, Japan): Lithium carbonate to lithium hydroxide conversion facility with planned annual production of 10ktpa commissioning from early 2022.

Investment thesis: Buy, TP\$18.05/sh (previously \$17.51/sh)

AKE is a go-to stock for multi-project exposure to lithium markets. AKE will realise significantly higher prices from 2022, driving material operating cash flow growth. Looking ahead, AKE has a portfolio of growth projects to materially lift production over the next three years. Naraha will commence conversion of primary grade lithium carbonate into 10ktpa battery grade lithium hydroxide by mid-2022. At Olaroz, an additional 25ktpa LCE capacity will be commissioned from 2H 2022, lifting capacity at this asset to over 40ktpa. Construction of Sal de Vida Stage 1 at around 11ktpa LCE has commenced for first production from 2023. In aggregate, we expect AKE's equity share of production to lift from 33kt LCE in FY21 to over 50ktpa LCE by FY24.

Valuation methodology

Our AKE valuation is derived from:

- Discounted cash flow models (discount rate of 8% real) of AKE's key operating asset and near term development projects (Olaroz Stages 1 & 2, Sal de Vida Stages 1-3, Mt Cattlin, James Bay and Naraha). We have applied risk discounts where appropriate to account of project stage.
- An allowance for other projects not explicitly modelled (e.g. Olaroz Stage 3) which is around 10% of the combined value of modelled projects and an allowance for corporate overhead costs.

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.** Bulk commodity producers are particularly reliant upon access to transport 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, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour markets.
- **Resource growth and mine life extensions.** Future earnings forecasts and valuations may rely upon resource and reserve growth to extend mine lives.
- **Sovereign risks.** Mining companies' assets can be located in countries other than Australia and are subject to the sovereign risks of that country.
- **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 mining processes. Fossil fuel producers (coal) may be particularly exposed to the environmental risks of end markets including the electricity generation and steel production industries.
- **Operating and development risks.** Mining 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.** Mining 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 risks:** Mining 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 7 - Financial summary

Date	28/02/22						Bell Potter Securities						
Price	A\$/sh	9.07					Stuart Howe (showe@bellpotter.com.au, +61 3 9235 1856)						
Target price	A\$/sh	18.05					Joseph House (jhouse@bellpotter.com.au, +61 3 9235 1624)						
PROFIT AND LOSS							FINANCIAL RATIOS						
Year ending 30 June	Unit	2020a	2021a	2022e	2023e	2024e	Year ending 30 June	Unit	2020a	2021a	2022e	2023e	2024e
Revenue	\$USm	77	85	596	1,321	1,807	VALUATION						
Expenses	\$USm	(112)	(66)	(218)	(364)	(485)	EPS	Ac/sh	(29)	(24)	41	111	155
EBITDA	\$USm	(35)	19	378	957	1,322	EPS growth (Acps)	%	-200%	na	na	173%	39%
Depreciation, amortisation & impairments	\$USm	(29)	(20)	(37)	(41)	(65)	PER	x	-31.0x	-37.6x	22.2x	8.1x	5.9x
EBIT	\$USm	(64)	(0)	340	916	1,257	DPS	Ac/sh	-	-	-	15	40
Net interest expense	\$USm	(13)	(21)	(15)	(4)	24	Franking	%	0.0%	0.0%	0.0%	0.0%	0.0%
Profit before tax	\$USm	(77)	(22)	326	912	1,281	Yield	%	0.0%	0.0%	0.0%	1.7%	4.4%
Tax expense	\$USm	10	(68)	(88)	(254)	(339)	FCF/share	Ac/sh	(83)	(45)	55	103	170
NPAT (underlying)	\$USm	(67)	(89)	237	658	942	FCF yield	%	-9.2%	-4.9%	6.1%	11.4%	18.7%
Adjustments	\$USm	-	-	(44)	-	-	EV/EBITDA	x	-116.0x	211.9x	10.8x	4.3x	3.1x
NPAT (reported)	\$USm	(67)	(89)	193	658	942	LIQUIDITY & LEVERAGE						
Non-controlling interests	\$USm	(15)	(30)	25	139	220	Net debt / (cash)	\$m	79	78	(132)	(542)	(1,147)
NPAT to owners	\$USm	(52)	(60)	169	519	722	Net debt / Equity	%	14%	12%	-5%	-20%	-43%
							Net debt / Net debt + Equity	%	13%	10%	-5%	-25%	-74%
							Net debt / EBITDA	x	-2.3x	4.1x	-0.3x	-0.6x	-0.9x
							EBITDA /net int expense	x	2.7x	-0.9x	-25.8x	-243.1x	54.8x
CASH FLOW STATEMENT							PROFITABILITY RATIOS						
Year ending 30 June	Unit	2020a	2021a	2022e	2023e	2024e	EBITDA margin	%	-46%	23%	63%	72%	73%
OPERATING CASH FLOW							EBIT margin	%	-83%	0%	57%	69%	70%
Receipts from customers	\$USm	81	89	517	1,241	1,780	Return on assets	%	-6%	-7%	8%	14%	18%
Payments to suppliers and employees	\$USm	(91)	(94)	(186)	(247)	(418)	Return on equity	%	-9%	-13%	13%	20%	24%
Tax paid	\$USm	-	-	(76)	(254)	(339)	ASSUMPTIONS - Prices (nominal)						
Net interest	\$USm	(7)	(10)	(8)	(4)	24	Year ending 30 June	Unit	2020a	2021a	2022e	2023e	2024e
Other	\$USm	-	-	(11)	(22)	(22)	Spodumene (min. 5-6% Li.O)	US\$/t	519	478	2,317	2,750	2,000
Operating cash flow	\$USm	(16)	(16)	236	714	1,024	Lithium carbonate price - Battery grade	US\$/t	9,311	8,641	35,996	45,000	35,000
INVESTING CASH FLOW							Lithium hydroxide price - Battery grade	US\$/t	11,236	10,510	37,303	47,000	38,000
Capex	\$USm	(127)	(97)	(226)	(234)	(233)	FX	US\$/A\$	0.67	0.75	0.73	0.73	0.73
Disposal of assets	\$USm	1	2	211	-	-	ASSUMPTIONS - Equity sales						
Other	\$USm	(6)	(0)	7	-	-	Year ending 30 June	Unit	2020a	2021a	2022e	2023e	2024e
Investing cash flow	\$USm	(131)	(94)	(8)	(234)	(233)	Mt Cattlin	kt	147	171	214	198	175
FINANCING CASH FLOW							James Bay	kt	-	-	-	-	-
Debt proceeds/(repayments)	\$USm	98	114	40	-	-	Total spodumene	kt	147	171	214	198	175
Dividends paid	\$USm	-	-	-	(70)	(186)	Total spodumene sales LCE (equity)	kt	22	24	30	28	25
Proceeds/(repayment) of borrowings	\$USm	(56)	(31)	(11)	-	(297)	Olaroz	kt	7	9	8	16	25
Proceeds from share issues (net)	\$USm	0	119	(1)	-	-	Sal de Vida	kt	-	-	-	-	4
Other	\$USm	(2)	(3)	(4)	-	-	Total brine sales LCE (equity)	kt	7	9	8	16	29
Financing cash flow	\$USm	39	199	25	(70)	(483)	Total sales LCE (equity)	kt	29	33	38	44	54
Change in cash	\$USm	(109)	89	253	410	307	Naraha lithium hydroxide	kt	-	-	1	4	7
Free cash flow	\$USm	(148)	(110)	229	480	791	Naraha LiOH sales LCE (equity)	kt	-	-	1	4	6
BALANCE SHEET							VALUATION						
Year ending 30 June	Unit	2020a	2021a	2022e	2023e	2024e	Shares on issue	m	638	Used for valuation purposes			
ASSETS							Options & rights	m	2	Options and performance rights			
Cash	\$USm	172	258	509	919	1,226	Diluted shares	m	640				
Receivables	\$USm	16	23	97	177	204	NPV (Discount rate 8%)						
Inventories	\$USm	72	94	128	128	128	Current	US\$m	US\$/sh	+12 mths	+24 mths		
Capital assets	\$USm	807	897	2,898	3,091	3,260	Olaroz (Stage 1 & 2) (ORE 66.5%)	3,486	5.47	3,701	5.81	3,591	5.63
Right of use	\$USm	27	28	35	35	35	Sal de Vida (ORE 100.0%)	2,350	3.69	2,614	4.10	2,823	4.43
Other assets	\$USm	51	48	607	607	607	Mt Cattlin (ORE 100.0%)	623	0.98	382	0.60	166	0.26
Total assets	\$USm	1,146	1,349	4,274	4,958	5,461	Naraha (ORE 75.0%)	161	0.25	176	0.28	175	0.28
LIABILITIES							James Bay (ORE 100.0%)	637	1.00	708	1.11	810	1.27
Creditors	\$USm	37	36	130	226	270	Borax	14	0.02	13	0.02	13	0.02
Borrowings	\$USm	220	301	330	330	33	Other	727	1.14	759	1.19	758	1.19
Lease liabilities	\$USm	31	36	47	47	47	Corporate costs	(138)	(0.22)	(149)	(0.23)	(160)	(0.25)
Provisions	\$USm	34	36	53	53	53	Total enterprise value	7,861	12.33	8,205	12.87	8,176	12.83
Tax related liabilities	\$USm	119	188	747	747	747	Net debt	(73)	(0.11)	(309)	(0.49)	(854)	(1.34)
Other liabilities	\$USm	14	28	30	30	30	Equity value	7,933	12.44	8,515	13.36	9,031	14.17
Total liabilities	\$USm	455	624	1,338	1,433	1,180	A\$m	A\$/sh	A\$m	A\$/sh	A\$m	A\$/sh	
NET ASSETS	\$USm						Equity value	10,721	16.82	11,506	18.05	12,204	19.14
Share capital	\$USm	548	669	2,686	2,686	2,686							
Retained earnings	\$USm	71	11	208	796	1,552							
Reserves	\$USm	(17)	(13)	(15)	(15)	(15)							
Non-controlling interest	\$USm	88	58	57	57	57							
SHAREHOLDER EQUITY	\$USm	691	725	2,936	3,525	4,280							
Weighted average shares	m	265	331	564	638	638							

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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