Mali Lithium Ltd

(MLL $0.19) Speculative Buy

EUROZ HARTLEYS

Analyst	Date	Price Target
Andrew Clayton	20th October 2020	$0.30/sh ▲ from $0.27/sh

Goulamina DFS – NPV8 post tax A$1.26bn

Investment case

Whilst the clear focus remains the Morila gold mine acquisition which is slated to settle at the end of Oct'20, the Goulamina Li DFS shows a very robust project with excellent financial outcomes. Over time this may become a strategic asset and as such MLL will be patient. We have increased our Goulamina valuation from $27m to $60m (5% of NPV) which results in our total valuation increasing to $0.30/sh. This assumes no additional production post the tailings retreatment and hence there is upside risk if Morila extends life with satellite pits and the main open pit. We expect plenty of news flow over the medium term as MLL appoints a mining team, completes an updated resource and delivers some mine plans. Goulamina is a nice second string asset that we believe the market has given little value to in the past. Spec Buy is maintained.

Key points

- Goulamina DFS has delivered an excellent result with a pre tax NPV8 of $1.7bn and post tax $1.26bn
- Key inputs are outlined below

Resource	108.5mt @ 1.45% Li2O
Reserve	52mt @ 1.51% Li2O
Capex	US$194m
Strip ratio	3.26:1
Throughput	2.3mt pa
Production pa	436kt pa
Cash Cost	US$281/t of conc
AISC	US$313.4/t
Mine Life	23yrs
Price assumption	
Lithium Price	US$666/t
EBITA avg pa	A$218m pa
Pre tax NPV 8	1,737m
Post tax NPV8	1,263m

- Key advantage is the quality of the 6% Li2O spodumene concentrate (SC6) being high in grade and low in impurities.
- Project is entirely open pit and is a simple high grade, low strip operation.

Mali Lithium Ltd	Year End 30 June	
Share Price	**$0.19**	**A$/sh**
Issued Capital		
Fully paid Ord	717	m*
Opt @ $0.15/sh	32.9	m
opts @ $0.40/sh	2	m
Total Dil FP Ord	751.9	m
Market Capitalisation	$136	m
Enterprise Value	$110	m
Cash	$26	m*
Debt	$0	m
Year Low - Hi	$0.04 - $0.22	
Avg Daily volume	0.6m/day	

Directors

A. Cowden	Ex Chairman
M.Hepburn	NE Dir
B.Borg	NE Dir
E.Hughes	CFO and Co Sec

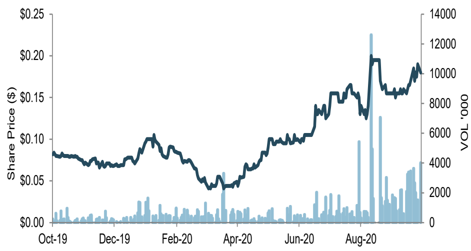
Shareholders

Top 20	36%
Board and Mgt	2%

Company Details

Ph: (08) 6149 6100
18/100 - 104 Railway Rd, Subiaco WA 6008
www.malilithium.com/

Share Price Chart



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This analyst declares that he has a beneficial interest in Mali Lithium Ltd.

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- We compare the Goulamina DFS with the recently announced Liontown Resources ('LTR') PFS in the table below

	Mali Lithium	Liontown Resources
Resource	108.5mt @ 1.45% Li2O	156mt @ 1.5% Li2O eqv
Reserve	52mt @ 1.51% Li2O	70.8mt @ 1.4% Li2O and 130ppm Ta2O6
Capex	US$194m	US$234m
Strip ratio	3.26:1	8.4:1
Throughput	2.3mt pa	2mtpa
Production pa	436kt pa	350kt of SC6 and 430kt of Ta Conc
Cash Cost	US$281/t of conc	US$310/t of conc
AISC	US$313.4/t	US$377/t of conc
Mine Life	23yrs	~40yrs
Payback	2yrs	3yrs
Price assumption		
Lithium Price	US$666/t	US$739/t
Tantalum Price	N/A	US$69.9/lb
EBITA avg pa	A$218m pa	N/A
Pre tax NPV 8	1,737m	N/A
Post tax NPV8	1,263m	1,120m

- Interestingly, the results are broadly similar with a similar post tax NPV8 depsite MLL using a lower price assumption.
- MLL's higher grade and lower strip leads to lower LOM AISC, however LTR's larger reserve and 40yr mine life opens up possibilities of expansion etc.
- LTR has a current market capitalisation of $470m based on its Lithium projects – predominantly Kathleen Valley and the Bulania project.
- Whilst we are not suggesting that Goulamina should have a capitalisation anywhere near LTR – its just an interesting comparison.
- MLL is solely focussed on the recent Morila Gold mine acquisition which is expected to settle at the end of the month.
- MLL will look to maximise the value of Goulamina and state ' we are aware of the market conditions for lithium at the moment and given the quality of the project we will be patient to ensure we maximise shareholder returns.

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Analysis

Whilst the key focus remains the Morila gold mine acquisition, the results of the Goulamina DFS show a very robust project that we believe does have some value

Our previous value for Goulamina was $27m based on the average market capitalisation prior to the Morila acquisition. In comparision to LTR we believe a value of $60m is appropriate and easily defendable. This is ~ 5% of the post tax NPV and takes into accout location, current prices, capex required etc.

The net effect is our MLL valuation has increased from $0.27/sh to $0.30/sh.

Asset Valuation	A$m	A$/sh
Morila (80%) Tailings CF	20	0.03
Morila (80%) Rem rsc @ $67/oz	63	0.09
CIL 4.5mtpa Plant	45	0.06
Goulamina Lithium	60	0.08
Acquisition cost	-35	-0.05
Cash	2	0.00
Placement	62	0.09
Total	**217**	**0.30**

We expect that once MLL settles on Morila it will be a position to update the market on its plans for the future which include assembling a mining team, further resource updates and mine plans.

Our valuation assumes just the tailings production with no input from the satellite deposits or a potential de watering and mining of the Morila pit. The longer term opportunity remains and we see that if MLL is successful then an operation of ~ 150koz pa for say 8-10yrs is possible

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Contact Details

Euroz Hartleys Securities Limited **+61 8 9488 1400**

Research Analysts

Jon Bishop - Head of Research	+61 8 9488 1481
Andrew Clayton - Resources Analyst	+61 8 9488 1427
Steven Clark - Resources Analyst	+61 8 9488 1430
Mike Millikan - Resources Analyst	+61 8 9268 2805
Michael Scantlebury- Resources Analyst	+61 8 9268 2837
Gavin Allen - Industrials Analyst	+61 8 9488 1413
Trent Barnett - Senior Industrials Analyst	+61 8 9268 3052
Harry Stevenson - Industrials Analyst	+61 8 9488 1429
Seth Lizee - Associate Research Analyst	+61 8 9488 1414

Institutional Sales

Andrew McKenzie - Executive Chairman	+61 8 9488 1407
Rob Black - Managing Director	+61 8 9488 1423
Jay Hughes - Executive Director	+61 8 9488 1406
Russell Kane - Executive Director	+61 8 9488 1426
Simon Yeo - Executive Director	+61 8 9488 1404
Timothy Bunney - Executive Director	+61 8 9488 1461
Peter Schwarzbach - Executive Director	+61 8 9488 1492
Stacy Kitsantas - Institutional Adviser	+61 8 9488 1486
Jayme Walsh - Institutional Adviser	+61 8 9488 1418

Private Client Advisers

Chris Webster - Head of Private Clients	+61 8 9488 1412
Ben Statham - Executive Director	+61 8 9488 1417
Brian Bates - Executive Director	+61 8 9346 0314
Cameron Murray - Executive Director	+61 8 9488 1440
James Mackie - Executive Director	+61 8 9488 1416
Ryan Stewart - Executive Director	+61 8 9488 1441
Tim Lyons - Executive Director	+61 8 9346 0324
Brett Stapleton - Associate Director	+61 8 9488 1435
Giles McCaw - Associate Director	+61 8 9488 1462
Michael Bowden - Associate Director	+61 8 9346 0307
Richard Gardner - Associate Director	+61 8 9488 1444
Paul Berson - Associate Director	+61 8 9346 0314
Paul Cooper - Associate Director	+61 8 9346 0316
Ian Harrison - Investment Adviser	+61 8 9488 1422
Lauren Walker - Investment Adviser	+61 8 9488 1495
Michael Bartley - Investment Adviser	+61 8 9346 0352
Tom Kenny - Investment Adviser	+61 8 9488 1431
Zac Vinten - Associate Adviser	+61 8 9488 1473
Laurence Grescos - Associate Adviser	+61 8 9488 1419
Katrina Ryan - Associate Adviser	+61 8 9488 1453
Brandon Oosthuizen - Associate Adviser	+61 8 9488 1471