



PepinNini Minerals (ASX: PNN)

12 July 2017

Lithium peer Lithium Power International (ASX:LPI) leads the way

Event

- On 12 July 2017, Lithium Power International (ASX:LPI) announced a significant increase in the lithium Resource at the group's Maricunga Lithium Brine Project in Chile (LPI 50% interest).
- The revised Resource of 2.15Mt of lithium carbonate equivalent (LCE) and 5.7Mt potassium chloride (KCL/potash) is 3.7x the original estimated Resource of 0.57Mt LCE and 1.5Mt of KCL.
- The Resource upgrade follows an exploration program of 16 diamond drill holes and 2 pumping wells, started in 4Q 2016.
- This Resource has one of the highest average resource concentrations globally of 1,163mg/l lithium (and 8,500mg/L potassium), with favourable porosity and permeability.
- LPI is targeting a further 1.0 to 2.5Mt of LCE below the current Resource base of 200m (i.e., between 200m and 400m).
- Process test work is advancing, with preliminary engineering and design underway and a PFS targeted for release in 4Q CY17.

Read through for PNN: US\$67/t LCE Resource = potential PNN valuation of A\$130m

- Despite the Resource upgrade, LPI's share price has fallen by 1.5% (as at 1.45pm 12 July) after coming out of this morning's trading halt. This indicates to us that a significant portion of the Resource increase was already discounted into the share price.
- At LPI's current (fully-diluted) m'cap of A\$96m (i.e., 301.5m shares @ A\$0.32ps), and based on LPI's 50% equity interest in the Maricunga Project, we calculate that LPI is currently valued at A\$90/t (US\$67/t) of LCE Resource (i.e., A\$96m / 1.075Mt LCE).
- This US\$67/t valuation is more than double the US\$31/t that we currently use in our valuation exercises for PNN. The US\$31/t is based on the average valuations attached to the Resources of Lithium X (TSXV:LIX) and Lithium Americas (TSXV:LCA), both early stage developers of lithium brine projects (with lower grades than LPI) in Argentina. LIX's Sal de Los Angeles Resource grade is 501mg/L; LCA's Cauchari-Olaroz Resource grade is ~700mg/L.
- Our indicative/estimated Maiden Resource for PNN's Pocitos Project (part of PNN's Salta Lithium Project in the "Lithium Triangle" in NE Argentina) is 1.45Mt of LCE. Note: PNN is targeting to announce a JORC 2012 compliant Maiden Lithium Resource before the end of 2017.
- Based on LPI's valuation of US\$67/t LCE, we calculate that PNN's potential 1.45Mt maiden Resource could be valued at US\$97m (A\$130m @ US\$0.75). However, based on (a more realistic, we suggest) average LIX-LCA EV/t of US\$31/t, we calculate that PNN's potential 1.45Mt Maiden Resource could be valued at - a still attractive - US\$45m (A\$60m). In comparison, PNN's current (fully-diluted) m'cap is A\$8.7m.
- **Conclusion:** The "value gap" between PNN's current m'cap, and its potential Resource value - as seen in the Resource valuations attached to peers developing lithium brine projects in South America - indicates that PNN offers significant upside potential for speculative investors.

Potential Maiden Resource of 1.45Mt LCE- from Pocitos Project only

- Predicated on an average aquifer thickness of 135m, and a lithium grade of 400mg/L, **we calculate a potential / indicative Maiden Resource for PNN of ~1.45Mt lithium carbonate equivalent (LCE).**
- As a comparative, LPI's recently announced Resource is 2.15Mt LCE (100%). Orocobre's (ASX: ORE) flagship producing Salar de Olaroz Project has a Resource of some 6.4Mt of LCE.

Salar Pocitos: estimated Maiden Resource sensitivity analysis - Lithium Carbonate Equivalent (Mt)

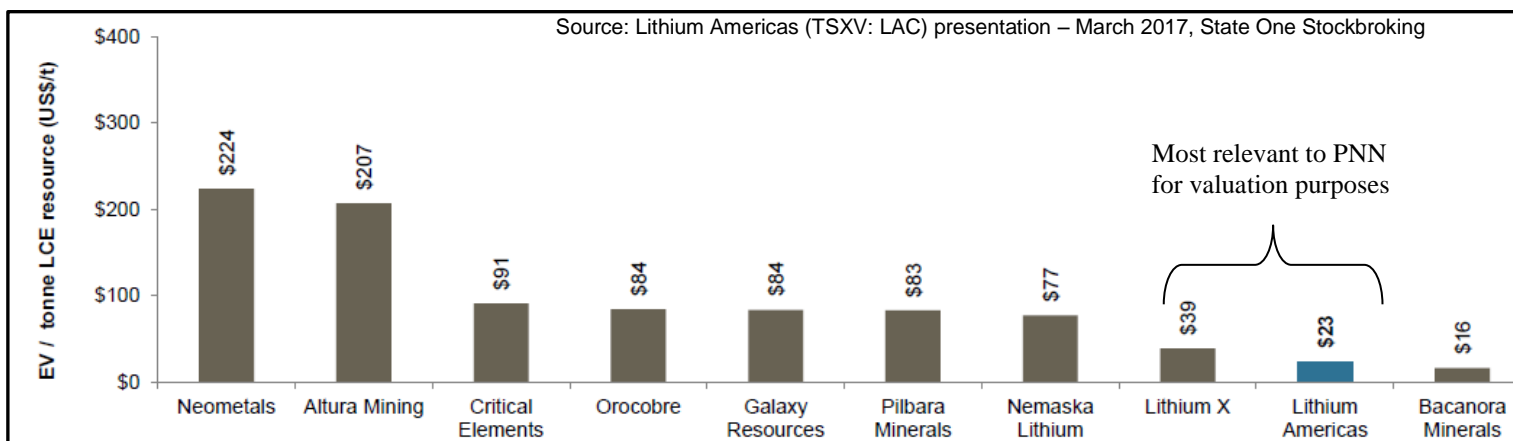
		Average deposit thickness (m)				
		105	120	135	150	165
Average Li grade (mg/L)	300	0.84	0.97	1.09	1.21	1.33
	350	0.99	1.13	1.27	1.41	1.55
	400	1.13	1.29	1.45	1.61	1.77
	450	1.27	1.45	1.63	1.81	1.99
	500	1.41	1.61	1.81	2.01	2.21

Source: State One Stockbroking
 Assumptions: potential brine area = 85% of Salar Pocitos 5,970ha combined tenement (mina), base case average deposit thickness = 135m, base-case lithium grade = 400mg/L, base-case brine yield = 10%, conversion ratio: 1t Li = 5.29t Li₂CO₃.

- We believe that Lithium X (TSXV: LIX) and Lithium Americas (TSXV: LCA) - both early stage developers of lithium brine projects in Argentina - are the most appropriate peers to PepinNini.

Based on an average LIX-LCA EV/t of US\$31/t, we calculate that PNN's potential 1.45Mt Maiden Resource could be valued at US\$45m (A\$60m); this compares to PNN's current m'cap of (only) A\$8.7m.

Lithium company valuations: EV/t LCE Resource (US\$/t)



Warnings and Disclosures

These Research products and their contents at all times remain the property of State One Stockbroking Ltd ("State One") and as such cannot be reprinted, distributed, copied, posted on the internet, in part or whole, without written prior approval from State One. The contents of this document constitute General Advice and have been prepared without taking account of your investment objectives, financial situation or needs. Because of that you should, before taking any action to acquire or deal in, or follow a recommendation (if any) in respect of any of the financial products or information mentioned in these documents, consult your own investment advisor to consider whether that is appropriate having regard to your own objectives, financial situation and needs. While State One believes information contained in these documents are based on information which is believed to be reliable, their accuracy and completeness are not guaranteed and no warranty of accuracy or reliability is given or implied and no responsibility for any loss or damage arising in any way for any representation, act or omission is accepted by State One or any officer, agent or employee of State One. If applicable, you should obtain the Product Disclosure Statement relating to any relevant financial product mentioned in this document (which contains full details of the terms and conditions of the relevant financial product) and consider it before making any decision about whether to acquire the financial product. The directors and associated persons of State One may have a long or short interest in the financial products discussed in these documents and they may earn brokerage, commissions, fees and advantages, pecuniary or otherwise, in connection with the making of a recommendation or dealing by a client in such financial products. Additionally, State One may earn fees due to having been appointed advisors to, or may be undertaking or about to commence research relating to any of the companies mentioned here.

Note: State One Stockbroking was Lead Manager for PNN's A\$1m capital raising in July 2016, A\$0.6m capital raising in February 2017 and A\$0.6m capital raising in March 2017.

Alan Hill
Executive Chairman
Phone: +61 8 9288 3388
ahill@stateone.com.au

Ric Heydon
Equities & Derivatives Advisor
Phone: +61 8 9288 3307
rheydon@stateone.com.au

Mark Sullivan
Institutional Dealer
Phone: +61 2 9024 9134
msullivan@stateone.com.au

Thomas Tan
Equities Advisor
Phone: +61 2 9024 9131
ttan@stateone.com.au

Morris Levitzke
Equities Advisor
Phone: +61 8 9288 3315
mlevitzke@stateone.com.au

Graeme Johnson
Equities & Derivatives Advisor
Phone: +61 8 9288 3316
gjohnson@stateone.com.au

Yitz Barber
Equities Advisor
Phone: +61 2 9024 9107
ybarber@stateone.com.au

Tammie Wong
Equities Advisor
Phone: +61 2 9024 9133
twong@stateone.com.au

Alexander Bax
Equities Advisor
Phone +61 8 9288 3340
abax@stateone.com.au

David Zhang
Equities Advisor
Phone: +61 2 9024 9130
dzhang@stateone.com.au

David Brennan
Senior Investment Analyst
Phone: +61 2 9024 9142
dbrennan@stateone.com.au