



# PepinNini Minerals (ASX: PNN)

28 August 2017

## Salta Lithium Project – disappointing exploration update

### Event

- PNN announced on 25 August that drilling sample results at the Pocitos Project were lower than anticipated and did not meet with company expectations.
- Planning is underway for drilling to commence in September on the Pular Project. In addition, geophysical surveys will be undertaken on the Rincon and Centenario Projects to assess potential for lithium brine bearing aquifers.

Managing Director Rebecca Holland-Kennedy states that “while the results at Pocitos are disappointing, drilling at Pular in September will still allow for pump testing and, depending on results, resource definition, in line with our target of declaring a Maiden Resource at the Salta Lithium Project by year-end”.

### State One Stockbroking comments

- Although the Pular Project has the potential for higher lithium grades, and the tenement is located on the salar (as opposed to Pocitos where the tenements were at the margins of the salar), **the tenement acreage at Pular of 657ha is significantly smaller than the 5,970ha at Pocitos.**
- Predicated on an average aquifer thickness of 135m and a lithium grade of 450mg/L (higher than our forecast of 400mg/L at Pocitos), **we calculate a potential / indicative Maiden Resource at Pular of ~200,000t lithium carbonate equivalent (LCE).** This compares to what was our forecast Maiden Resource at Pocitos of 1.45Mt LCE.
- 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 200kt Maiden Resource could be valued at US\$6.2m (A\$7.8m);** this compares to PNN’s current m’cap of A\$6.3m (Note: PNN’s share price weakened by 28% to A\$1.3c subsequent to the announcement).

### Revised Maiden Resource: 200kt LCE vs original forecast of 1.45Mt

|                                 | Revised Forecast | Original Forecast |
|---------------------------------|------------------|-------------------|
| Estimated Resource size (t LCE) | 200,000          | 1,450,000         |
| Resource value (US\$/t LCE)     | 31               | 31                |
| Resource value (US\$m)          | 6.2              | 45.0              |
| AUD/USD exchange rate           | 0.79             | 0.79              |
| Resource value (A\$m)           | 7.8              | 56.9              |
| PNN M’Cap (A\$m)                | 6.3              | 6.3               |
| Upside / (downside)             | 25%              | 803%              |

*Assumptions: potential brine area = 100% of Salar de Pular tenement acreage of 657ha, average deposit thickness = 135m, lithium grade = 450mg/L, base-case brine yield = 10%, conversion ratio: 1t Li = 5.29t Li<sub>2</sub>CO<sub>3</sub>.*

Source: Company, State One Stockbroking forecasts

- We concur with PNN’s MD that the results at Pocitos were disappointing. However, after the share price fall, we believe that a smaller Resource expectation is discounted in. At current m’cap levels, we believe PNN offers upside potential relative to our (significantly) lowered Maiden Resource forecast of 200k LCE.

### Lithium Projects – Salta Province, Argentina



Source: Company, State One Stockbroking

### PNN Lithium Project mining leases (Mina)

| Salar                 | Mina              | Area (hectares)* | Work to date and planned  |
|-----------------------|-------------------|------------------|---|
| Salar de Pular        | Sulfa 1           | 657              | Reconnaissance sampling completed, Geophysics (VES) completed, planned Drilling September |
| Salinas Grandes       | Luxemburgo        | 2,495            | Planned Geophysics (VES)  |
| Salinas Grandes       | Salinita Norte II | 2,994            | Geophysics (VES) in review  |
| Salinas Grandes       | Lidia I           | 3,228            | Geophysics (VES) in review  |
| Salinas Grandes       | Lidia II          | 2,719            | Geophysics (VES) in review  |
| Salinas Grandes       | Lidia III         | 3,500            | Geophysics (VES) in review  |
| Salinas Grandes       | Lidia V           | 3,022            | Planned Geophysics (VES)  |
| Salar de Arizaro      | Ariza Sur 1       | 3,004            | Geophysics (VES), planned Drilling  |
| Salar del Rincon      | Villanovena 1     | 1,586            | Field reconnaissance planned for Geophysics(VES)  |
| Salar Pocitos         | Tabapocitos 02    | 2,970            | Drilling campaign in train, samples being assayed   |
| Salar Pocitos         | Pocitos II        | 3,000            | Drilling campaign in train, samples being assayed   |
| Salar de Cauchari     | Guayos II         | 1,610            | Drilling campaign in train  |
| Salar de Cauchari     | Guayos III        | 1,906            | Drilling campaign in train  |
| Salinas Grandes       | Salinita VII      | 2,990            | Planned Geophysics (VES)  |
| Centenario            | La Filomena       | 1,503            | Planned Geophysics (VES)  |
| <b>Total</b>          |                   | <b>37,184</b>    |   |
| * 100hectares = 1sqkm |                   |                  |   |

Source: Company, State One Stockbroking

## Warnings and Disclosures

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*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.*

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