

11 May 2020

ASX CODE: LIT

Speculative Buy

Capital Structure

Sector	Materials & Technology
Share Price (\$)	0.054
Fully Paid Ordinary Shares (m)	313.6
Market Cap (undil) (\$m)	56.4
Price high/low (\$)	0.032-0.079
Approx Cash (31-Mar-2020) (\$m)	3.3

Directors

George Bauk	Non-Exec Chairman
Adrian Griffin	Managing Director
Bryan Dixon	Non-Exec Director

Major Shareholders

JP Morgan Nominees	5.20%
Adrian Griffin	4.78%
Tin International AG	3.15%
Acuity Capital Investment	2.51%
Citicorp-Nominees	2.39%

Analyst

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Share Price Performance



Source: CMC Markets

# Lithium Australia NL

Battery divisions step-up progress

As announced on 6 and 7 May 2020, battery supply chain disrupter **Lithium Australia NL** (LIT:ASX) see's battery divisions VSPC and Soluna Australia see material progress.

## VSPC progresses entry to China market

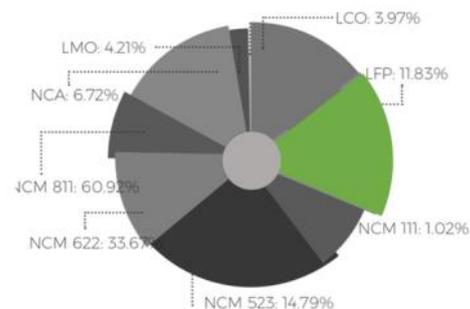
VSPC has been researching and developing advanced cathode materials for more than a decade and is now on the cusp of commercialising its high performance LFP cathode materials. Recent progress includes;

- Working towards preferred supplier status with **DLG** a leading battery manufacturer in China .
- Advanced negotiations with Beijing Saideli Technology to toll manufacturer VSPC's LFP material for distribution to **DLG** and other battery manufacturers.

## Market Snapshot

LFP has historically been China centric and ebus focused. Recent battery pack innovation by CATL, BYD and others it is anticipated that LFP will gain traction internationally and expand into other mobility segments.

According to leading sector analyst Benchmark Minerals, LFP cathode capacity is expected to increase by up to 12% (Benchmark, 2019)



## Soluna to provide renewable energy to Northern Minerals

- **Soluna**, (LIT 50-50 JV with **DLG**) and **Northern Minerals** (NTU:ASX) entered into LOI to develop a renewable power and battery storage facility at NTU's Browns Range rare earth operation in the East Kimberley region of Western Australia.
- The initial focus will be on developing a solution for the mining camp at Brown's Range that will reduce diesel and CO<sub>2</sub> consumption
- The ultimate goal is to develop a renewable energy solution that can be integrated into the Brown's Range operations.



## Market snapshot

The global mining industry consumes more than 400TWh of power annually. An average sized off-grid mine with a 30MW power plant will burn up-to \$1.4billion of diesel over a 20-year period (Arena, 2019). Even a modest displacement of the sectors reliance on diesel represents a significant market opportunity.

## Action and Recommendation

The recent decision by Tesla to use LFP batteries for its expansion into China highlights the expanding demand for LFP outside its core ebus market, importantly for VSPC higher quality cathode materials will be required for more advanced applications.

Mining camps represent a smart entry point into the off-grid sector. The tie up with **NTU** shows Soluna's ability to leverage **LIT's** experience and relationships, success at Brown's Range provides Soluna the opportunity to carve out a niche market that has yet to have any dominant providers.

**RMR** maintains **Lithium Australia** as a Speculative Buy.

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## RM Research Recommendation Categories

Care has been taken to define the level of risk to return associated with a particular company. Our recommendation ranking system is as follows:

<b>Buy</b>	Companies with 'Buy' recommendations have been cash flow positive for some time and have a moderate to low risk profile. We expect these to outperform the broader market.
<b>Speculative Buy</b>	We forecast strong earnings growth or value creation that may achieve a return well above that of the broader market. These companies also carry a higher than normal level of risk.
<b>Hold</b>	A sound well managed company that may achieve market performance or less, perhaps due to an overvalued share price, broader sector issues, or internal challenges.
<b>Sell</b>	Risk is high and upside low or very difficult to determine. We expect a strong underperformance relative to the market and see better opportunities elsewhere.

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