Mining Flashnote

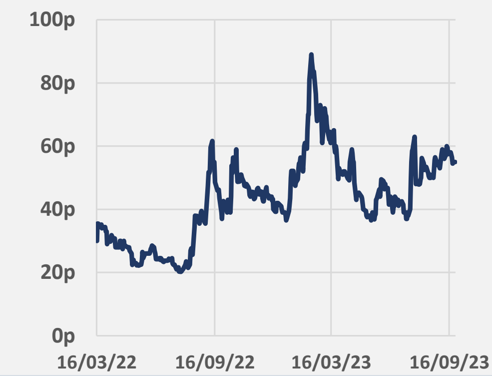
CleanTech Lithium PLC

26th September 2023

Key Data

Listing:	AIM
Ticker:	CTL
Shares:	105.1M
Share Price:	54.25p
Market Cap:	£58.95m
12- month target	£2.50ps
Cash Balance:	US$13.5m
Debt	US$0.0m
Warrants:	4,000,000
Av exercise price:	66p
Options:	840,000
Av exercise price:	30p
Fully Diluted:	109,973,500
Asset Location:	Chile

Price Chart



Company Summary

CleanTech Lithium (CTL) has a first mover advantage, acquiring several immature salar basins in their entirety, within a world-class lithium producing district. The collective tenement packages (Laguna Verde and Francisco Basin) cover >180km^2, with a collective resource of >2Mt.

Analyst

Approaching three decades of experience in commodities, primarily in Australia and the UK, including underground and surface mining operations, exploration, corporate finance, mineral economics and as a resource analyst; for WMC, Outokumpu, Mincor, DJ Carmichael, WHI Securities, WH Ireland, HD Capital, Numis, Metalytics, Aegis Equities and Smartkarma.

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Francisco Basin Scoping Study Confirms Economic Viability

Event

The long-awaited scoping study for Francisco Basin confirms previous company announcements that it has sufficient resources and grade to enter commercial production (*i.e.* 0.92Mt @ 207mg/L Li) able to sustain a 20kt LCE (lithium carbonate equivalent) for at least a 12-year period, with further resource upgrades expected. A pre-feasibility study (PFS) is scheduled to commence following the completion of a resource drill-programme late Q424, with production to commence by 2027, a year after Laguna Verde.

Implications

A key assumption contains capex of US$450m (15%/+30%) that included a 20% contingency, based on existing DLE plant using Sunresin Materials' DLE technology, with an operating cost (C1) ~$3,650/t LCE. Overall recovery rate was 89.3%, assuming the DLE stage achieves a 94.8%. Using a LT LCE price of $22.5k/t LCE, implies a payback period of 2.7 years. Although at a relatively preliminary stage, the resource base should continue to grow, with the operational lifespan also increasingly commensurately.

The study assumed 23 extraction wells (with an average flow rate of ~30l/s per well), and an unspecified number of reinjection wells located several kilometres to the south; further hydrogeological modelling is needed to develop a workable production plan. Fresh water consumption was estimated to be ~28l/s, critical for preparation of reagents, washing and other process steps; this can be supplied via a number of existing wells around the basin periphery. Net water loss was calculated to be ~1.6m^3, compared with >100m^3 for an equivalent traditional evaporative operation.

A key determinant for the success of any DLE project is power. A crucial feature of the Francisco Basin is the close proximity of the Maricunga Substation, located 10km south-west of the project area, supplied via a 110 KV transmission line, significantly adding to the project economics. Unit cost used was US$0.1437/kWh, consistent with the pricing of similar supply contracts within the Chilean market.

Management gave a progress update on the pilot plant, capable of processing 4.5m^3 per hour, producing a tonne of battery-grade LCE per month; is still scheduled to be in operation by years end. In addition, the company is investigating the possibility of producing lithium hydroxide (LiOH) instead of LCE, via the introduction of lime. This process will undergo test-work, and, potentially, at a pilot plant scale. A number of other processes to produce LiOH will also be evaluated.

The announcement suggested on p. 16 that this scoping study could provide a potential platform to commence long awaited discussions with potential strategic and/or offtake partners/financiers; although in the same sentence, they preface this by saying that they may in fact wait until a PFS has been completed. In any case, it is clear that management have options, which they are starting to actively explore.

Investment Opinion

Assuming a future 348.8m shares are to be eventually on issue (currently ~110m fully-diluted), our current after-tax NPV$_{14\%}$ remains £2.19ps.

Research Disclaimers

Research disclosure as of 26th September, 2023

Company Name (the Relevant Issuer)	Disclosure
CleanTech Lithium PLC	1, 2, 3, 7

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