

THE TOP-5 DIGEST

TOP 5 ASX LITHIUM STOCKS - SHARES IN VALUE

MINERAL RESOURCES (ASX: MIN)

MinRes is one of the highest quality businesses on the ASX, owned and managed by its founder Chris Ellison, who has proved to be a fantastic CEO – recognising opportunities and taking them at the right time, with his most recent exploit being MinRes’ foray into lithium. The company has gone from a \$100 million market cap business when it listed in 2006 to a \$15 billion market cap business. It was also one of the top-10 best performing stocks during 2022.

MIN’s lithium opportunity is tremendous. The company has put in place upstream and downstream capabilities. The upstream strategy is to ramp up the existing mines and also look for inorganic growth. In the downstream department, they are focussed on the production of lithium batteries and battery packs. The company has a number of projects in development, including a lithium battery plant in Western Australia and a lithium battery pack plant in South Australia.

MIN is currently shipping around 300k tonnes of lithium per year from both of its operations. However, the company has plans to increase production to 900k tonnes per year in the next few years. The increase in production is expected to have a significant impact on MIN’s earnings. Costs are expected to fall during this period – improving MIN’s margins from lithium operations. With downstream processing capabilities coming soon, MIN will be able to capture value across the entire lithium value chain.



PILBARA MINERALS (ASX: PLS)

Pilbara Minerals is positioned to become a major player in the rapidly growing lithium supply chain, underpinned by increasing demand for clean energy technologies such as electric vehicles and energy storage as the world pursues a sustainable energy future.

Pilbara's world-class Pilgangoora lithium-tantalum project is the largest independent hard-rock lithium operation in the world. The project has outstanding scale, a long life and is a low-cost operation over the project life. It produces high quality products, is supported by strong and reliable customers and an outstanding team. Pilbara is pursuing a growth and diversification strategy to become a sustainable, low-cost lithium producer and fully integrated lithium raw materials and chemicals supplier in the years to come.

FY23 was a highly successful year for PLS. They delivered a strong financial performance across all key metrics with Group revenue increasing 242% to \$4.1B, driven by a 68% increase in sales volumes and an 87% increase in average estimated realised price. Group EBITDA increased 307% to \$3.3B following increased sales volumes with operating leverage supporting a 13% increase in EBITDA margin to 82%. Statutory profit after tax increased 326% to \$2.4B from the Group's maiden profit of \$561.8M in FY22 - resulting in a healthy dividend. PLS now has a +6% dividend yield. Pilbara is expected to see considerable growth over the next few years as production increases to a stellar 1Mpta at the Pilgangoora Operation. This is the ASX lithium stock that should be in all investor portfolios.



DELTA LITHIUM (ASX: DLI)

Delta Lithium, initially called Red Dirt Metals, is a Perth-based mining operator. DLI is developing highly progressive lithium mines, namely Mt Ida and Yinnetharra. Based in the tier-1 mining jurisdiction of Western Australia (WA), it is one of the few Australian miners that have a live lithium mine in the region. These projects combined have one of Australia's largest undeveloped lithium deposits. With lithium demand rising due to the EV revolution and global supply chain disruptions further widening the gap between its demand and supply, we see substantial value in DLI as it ramps up its development efforts.

DLI has been drilling c.15k m every month, much higher than the average run rate of c.2k m. This is a testimony to the confidence and eagerness of the management to develop Mt Ida and aggressively expand Yinnetharra sites. The plan is to start the Direct Shipping Ore (DSO) project from Mt Ida by the end of 2023. To achieve this, all the necessary studies have already been conducted and regulatory approval is being sought. At Yinnetharra, c.5k high-grade samples have already been sent to the lab for testing, c.20km drilling is being undertaken, and the final resource estimation have been delivered.

DLI is a unique investment proposition given the double engine of production and expansion across its mining sites. The final quarter of 2023 saw the achievement of multiple important milestones for DLI. An upgraded MRE at Mt Ida and the declaration of maiden MRE's for both Yinnetharra and gold at Mt Ida have all been delivered on schedule. With more drilling results and assay results in the works, the pipeline of catalysts for the share price is robust and a lithium price recovery will propel the share price.



LIONTOWN RESOURCES (ASX: LTR)

Liontown Resources is an emerging Tier 1 battery minerals producer, focused on developing two major hard rock lithium deposits in Western Australia: Kathleen Valley and Buldania. Their flagship project, Kathleen Valley, is considered one of the world's largest and highest-grade hard rock lithium deposits and is expected to begin production in 2024. Additionally, the company is developing downstream capabilities, where integrated operations that will allow it to capture higher margins and create new supply chains. Located 700km north of Perth, Kathleen Valley project boasts a long mine life and low operating costs, making it a potentially lucrative asset. The latest December quarter saw Kathleen Valley enter the peak construction phase and achieve 72% completion by year end. It is expected to be on budget and on track to deliver to first production by mid-2024.

Liontown shares have been impacted by lithium prices and the failed acquisition and this could be an opportunity. LTR shares hit an all-time high in 2023 on the news that the world's largest lithium producer, Albemarle was interested in acquiring the company. During the acquisition process, Australian mining magnate Gina Rinehart emerged as a major shareholder in Liontown, acquiring a 19.9% stake. While her specific intentions remain unclear, some speculate she might be interested in acquiring Liontown herself or influencing its future direction. Given the complexities, Albemarle backed out of the deal but maintained a favourable review of Liontown's Kathleen Valley Lithium project. Since then, shares have fallen over 60%. The failed acquisition and Gina Rinehart's involvement have created uncertainty. However, the company remains focused on developing Kathleen Valley, and it does not change the value potential that it brings on the table.



ARIZONA LITHIUM (ASX: AZL)

Arizona Lithium is a lithium exploration & development company that is currently exploring and developing its two main projects, The Big Sandy project in Arizona, USA and the Prairie Lithium project in Saskatchewan, Canada. The company also has BLM claims for exploration near Lordsburg, New Mexico, USA. The Big Sandy is a strategically located sedimentary resource in Arizona's "battery corridor," rich in lithium resources, Big Sandy boasts a large JORC resource of 10.2Mt at 0.93% Li₂O. It is also an expandable resource with 320,800 tons of LCE from 4% of the landholding. It will be capable of producing high-quality battery grade Lithium Carbonate of 99.8% purity. Early-stage studies suggest potential for low-cost production, making it economically attractive. Big Sandy Big also has first-mover advantage, being an early player in the American lithium market.

The Prairie Lithium project is a brine resources in Canada. It is the highest quality indicated lithium resource discovered in Canada. with a resource of 6.3Mt of contained lithium carbonate equivalent – including 4.5Mt in the higher confidence indicated category. It benefits from being in one of the world's top mining friendly areas with access to key infrastructure. AZL's assets find themselves in the thick of the American EV industry. GM, Ford and Stellantis have committed >\$50 billion to electrify their fleets and a significant battery supply chain needs to be built in North America to support these commitments. The path forward for AZL is the distribution of Lithium produced from pilot to potential offtakers, commence drilling exploration, securing funding for Prairie Project expansion from customers or strategic investors, and the commercial production from first well pad at Prairie project. There are thus plenty of catalysts in 2024 for Arizona Lithium's share price.