

LEO LITHIUM LIMITED

Equity Analysis (19 April 2023)



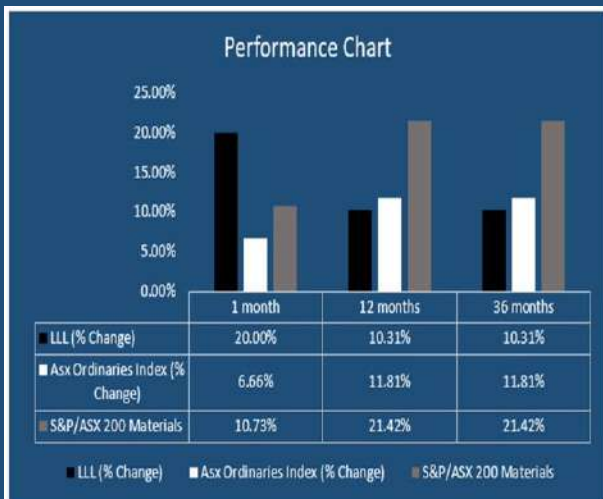
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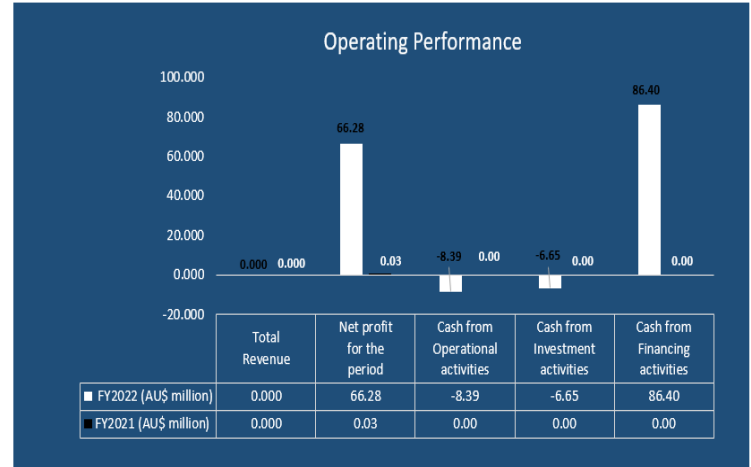
Introduction

Leo Lithium Limited engages in exploration and mining activities in Mali. Its project includes the Goulamina lithium project that covers 100 square kilometres land holding in the Bougouni Region of southern Mali. The company was incorporated in 2019 and is based in West Perth, Australia.

Recommendation	Speculative Buy	
Risk Profile	High	
Current Market Price (AU\$)	0.535	
52 Week Low-High (AU\$)	0.355-0.810	
Market Capitalisation (AU\$)	670.65 million	
Outstanding Shares	1.20 billion	
PE (TTM)	10.41	
EPS (AU\$) (TTM)	0.053	
Dividend Yield/Frinking	-	
Ex-Date/Pay-Date	-	
Enterprise Value (EV)/Sales (LTM)/(FY-1)	7.7x	162.3x
EV/EBITDA (LTM)/(FY-1)	-	-
Price/Book Value (LTM)/(FY-1)	3.7x	-



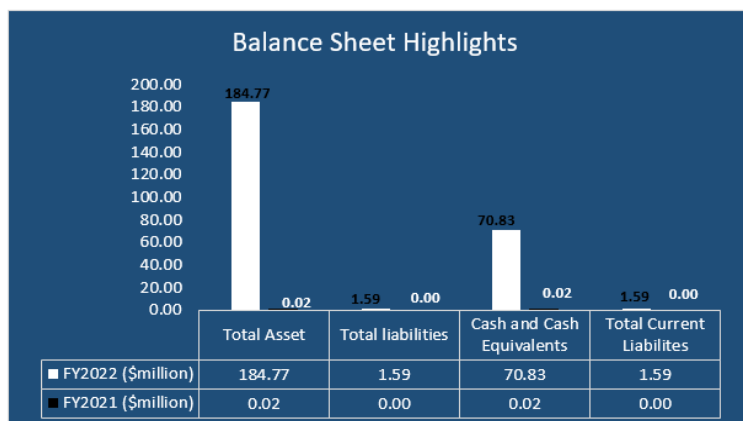
Operating Performance



Source: Company Reports, Chart Prepared by Kapitales Research

- The company’s net profit was AU\$66.28 million compared to net profit of AU\$0.03 million in 1HFY22.
- Cash used in Operational activities which was ~zero million in FY2021 increased to AU\$8.39 million in FY2022.
- Cash used in Investing activities increased by AU\$6.65 million to AU\$6.65 million.
- Cash from financing activities which was ~zero million in FY2021 was AU\$86.40 million in FY2022.

Balance Sheet Highlights



Source: Company Reports, Chart Prepared by Kapitales Research

Compared to the FY2021, in Y2022:

- Total asset increased to AU\$184.77 million.
- Total liabilities increased marginally by 100% to AU\$1.59 million.
- Cash and Cash Equivalents increased to AU\$70.83 million.
- Total current liabilities increased by 100.00% to AU\$1.59 million.

Ratio Analysis

Fiscal years	FY2020	FY2021	FY2022
Return on Assets%	-	-1.25%	45.43%
Return On Equity %	-	234.30%	72.36%
Return on Total Capital%	-	-1.25%	45.82%
EBITDA Margin %	-	-	-
Gross Profit Margin %	-	-	100.00%
Net Income Margin %	-	-	85.33%
Asset Turnover	-	-	0.800
Days Outstanding Inventory (Avg)	-	-	-
Current Ratio	0.900	-	49.400
Days Sales Outstanding (Average Receivables)	-	-	-
Days Payable Outstanding (Avg)	-	-	-
Cash Conversion Cycle (Average Days)	-	-	-

Source: Koyfin, Chart Prepared by Kapitales

Recent Updates

- On 19 April 2023, the company announced that a company owned by Leo Lithium (50%) and Ganfeng Lithium Group (50%), had entered into a binding agreement with Bambara Resources SARL (Bambara) and Kodal Mines plc to buy two mining concessions in Mali for £2.5 million. The concessions are located immediately to the south and east of the Goulamina Project and will extend its land size from 101 km² to 287 km².
- On 13 April 2023, the company provided further results from the Goulamina Lithium Project resource drilling program following the receipt of assay results from an independent laboratory. The primary goal of the Goulamina Resource Drilling Program was to increase orebody confidence and transfer a large quantity of Inferred Resource into the Indicated Resource category.

Outlook

The company's project continues on track and under budget, with engineering and design progress. The awarding and mobilisation of contractors for the different construction and installation packages have accelerated site activity. Mineral commissioning is expected for all parts of the plant in Q2 2024, with early income from the intended export of Direct Shipped Ore (DSO) in 2HFY23 and the first spodumene concentrate product on track for Q2 2024. In the fiscal year 2023, the company plans to export two 30,000t cargoes of DSO.

Risks

The company has exposure to the following risks-

- Market risk (includes interest rate risk, foreign currency risk, fair value risk future cash flow risk)
- Financial risk (includes credit risk, liquidity risk, price risk)
- Non-financial risk (Includes commercialization risk, research and development risk, regulatory risk)

Technical Analysis



Source: TradingView, Analysis by Kapitales Research

Company Name	Ticker	Sector	CMP (AU\$)	Advisory Date	Rating	Target 1 (AU\$)	Target 2 (AU\$)	Stop Loss (AU\$)
Leo Lithium Limited	LLL	Materials	0.535	19 April 2023	Speculative Buy	0.610	0.675	0.450

The stock of material company LLL settled at AU\$0.535 on 19 April 2023 after a decline of nearly 4.4% from the previous day's closing. It is currently trading between its 52-week price levels. The stock price is trading above the significant exponential moving averages (EMA) of 20, 50, and 200 days on a daily time frame, indicating bullishness for the near term. It is trading near the central pivot (AU\$0.550), holding a bullish momentum on a daily time frame chart. RSI (14 days) is at 56, holding a bullish momentum in the index.

Based on these facts, buying can be initiated at the current market price (CMP) level for the potential targets of AU\$0.610 (previous swing resistance) and AU\$0.675 (previous swing high) in the coming days. Investors can book either full or partial profits at target one and wait for the stock to achieve target two (depending on their risk appetite).

Investors are advised to keep a strict stop loss at or below AU\$0.450 (previous swing support) to protect their investments in case of an unfavorable movement in the stock due to any uncertain event.

Please Note: It would be in the best interest of investors to trail their stop-loss upward if the stock is moving in our favorable direction.

Investment Summary

The company's total assets stood at AU\$184.77 million compared to AU\$0.02 million in FY21, reflecting that the company's cash inflows and property/plant and equipment have significantly increased for FY22. The company's return on assets ratio for FY22 stood at 45.43%, better than the previous year of negative 1.25%, implying that it possesses better capabilities to generate income from its assets than last year. The company's stock has outperformed the ASX ordinary and sector indices in one month timeframe.

Considering all the above factors and the current trading level, we recommend a "Speculative Buy" rating on the stock at the current market price of AU\$0.535 as of 19 April 2023 (after-market hours).

Leo Lithium Limited (ASX: LLL)

Equity Analysis

(19 April 2023)



Mission to Empower Investors

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Disclosure: The information mentioned above has been sourced from the company reports and a third party database, i.e. Koyfin. Investors are advised to use strict stop-loss to protect their investments in case of any unfavorable/uncertain market events.

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