

19 September 2022

Sayona Mining Limited (SYA)

BUY

Share Price: A\$0.29

NAL restart under-budget, higher prices lift PT

Target Price:

A\$0.53

SYA continues to make strong progress as it moves to restart mining and processing at its NAL lithium operations in Mar. Q'23. Despite industry-wide challenges, SYA has built an impressive team who are keeping the project on track and currently under budget. This near-term production is well timed, given strong tailwinds in the lithium market, robust fundamentals & increased interest in North American sources of battery materials. SYA is well placed and, with an upgrade to our lithium price forecasts (Figure 1), we increase our PT to \$0.53/sh (\$0.33/sh prev). **BUY.**

NAL Installations underway, running under-budget

- SYA reports that a total of 70 workers are on-site and 94% of procurement completed, with most major items on-site. The magnetic separator (WHIMS) and cone crushers are being installed (Figure 1 & Figure 2).
- The ore sorting conveyors are also being installed (Figure 3 & Figure 4).
- SYA has reiterated that it remains on track for spodumene production in Mar.Q'23. Crucially, SYA reports that the overall project budget is now C\$95.5m (C\$97.7m prev.), highlighting SYA's strong project team, contingency planning, and close contact with vendors. This is a brilliant achievement at a time of sector-wide cost pressures & supply chain disruptions.
- Stage 1 of the integrated operation at Abitibi is the restart of the existing NAL mine and concentrator. Stage 2 is the addition of the Authier mine. Stage 3 is the downstream plant. SYA reported that the Lithium Carbonate downstream plant (for which it has an existing permit) is further advanced than our expectation. Construction of the plant was put on hold by the prior owners and SYA states that 50% of the plant has already been built – pointing perhaps to lower cost.

A North American lynch pin with growth

- Revised lithium prices, including lifting our long-term carbonate price to US\$20,000/t, from US\$15,000/t
- At spot prices our PT rises 309% to A\$2.17/sh (Figure 7) and represents a 623% uplift to the last close price.
- SYA is becoming a key battery materials supplier for the EV manufacturing centres of Southern Ontario and Northern Michigan, with Quebec also adding cathode and battery capacity. In addition, SYA is rapidly expanding the Moblan resource into a second major hub of lithium production (Figure 8).

Key Dates Ahead

- Dec. Q'22 – NAL plant commissioning
- Dec. Q'22 – Abitibi downstream plant PFS
- 1H 2023 – First spodumene production and sales

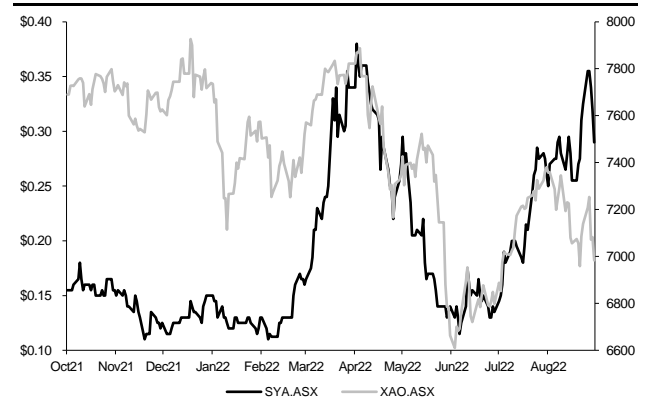
Company Data

Shares – ordinary (M) post-plcmnt	8,304
Dilution (M)	290
Total (fully diluted) (M)	8,594
Market capitalisation (\$M)	2,408
12 month low/high (\$)	0.08/ 0.39
Average monthly turnover (\$M)	1,168
GICS Industry	Metals & Mining

Financial Summary (equity accounted, fully diluted)

Year end June	2022F	2023F	2024F	2025F	2026F
Revenue (\$M)	0	40	155	612	612
Costs (\$M)	-18	-35	-74	-108	-132
EBITDA (\$M)	-18	5	82	504	480
NPAT (\$M)	59	4	45	403	325
EPS (¢ps)	0.7	0.0	0.5	4.7	3.8
PER (x)	41.1	706.6	55.8	6.2	7.7
Op. Cashflow (\$M)	-12	7	66	424	353
OCFPS (¢ps)	-0.1	0.1	0.8	4.9	4.1
POCFPS (x)	-0.5	0.3	2.6	17.0	14.1
Enterprise Value (\$M)	2,221	2,309	2,469	2,225	2,292
EV / EBITDA (x)	-123.5	510.7	30.3	4.4	4.8
Payout Ratio (%)	-	-	-	37%	70%
Dividends (¢ps)	-	-	-	1.7	2.6
Yield (%)	-	-	-	6%	9%

SYA – performance over one year



Disclosure and Disclaimer

This report must be read with the disclosure and disclaimer on the final page of this document. Petra Capital was joint lead manager and bookrunner for this company's placement to raise \$190m at A\$0.18/sh on 25 May 2022, for which fees were received.

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Analysis

Sayona Mining Ltd (SYA)

16-Sep-22 Values in A\$ millions unless indicated otherwise
Presented Equity on an Accounted Basis
(75% of Abitibi and 60% of Moblan)

Share Price (\$/sh) 0.29
Shares on Issue (m) 8,304
Market Capitalization (\$m) 2,408
Options, Perfs, Other (#m) 290 incl. 248m @0.02, 29-Apr-23
Fully Diluted (#m) 8,594

Year End June

Income Statement	2022F	2023F	2024F	2025F	2026F	2027F	Ratio Analysis	2022F	2023F	2024F	2025F	2026F
Revenue	0	40	155	612	612	510	EV/EBITDA		510.7x	30.3x	4.4x	4.8x
Operating Costs	0	-20	-61	-95	-119	-134	EV/EBIT			39.3x	4.6x	5.0x
Corporate&Admin	-13	-12	-10	-10	-10	-10	Dividend (cps)	0.0	0.0	0.0	1.7	2.6
Explor.&Other	-5	-3	-3	-3	-3	-3	Div Yield	0%	0%	0%	6%	9%
EBITDA	-18	5	82	504	480	363	Franking	0%	0%	0%	0%	0%
D&A	-5	-6	-19	-19	-25	-25	Payout Ratio	0%	0%	0%	37%	70%
EBIT	-23	-2	63	486	455	339	ROCE	-4%	0%	9%	45%	37%
Net Interest	0	0	-9	-8	-13	-23	ROE	-3%	0%	7%	44%	36%
Ops PBT	-23	-1	54	477	442	315	ROA	-3%	0%	5%	32%	25%
Ops NPAT	-17	-1	40	351	325	232	Gearing (D/E)	2%	2%	22%	14%	20%
Abnormals	82	5	0	0	0	0	ND/EBITDA	10.4x	-21.9x	0.7x	-0.4x	-0.2x
PBT	59	4	54	477	442	315	EBITDA Interest Cover	243x	-17x	9x	60x	37x
Tax	0	0	9	74	117	83						
NPAT	59	4	45	403	325	232						
Basic EPS (cps)	1	0	1	5	4	3						
YE FPOs (m)	8,304	8,594	8,594	8,594	8,594	8,594						

Sales Growth			291%	294%	0%	-17%
Ops NPAT Growth	0%	94%		785%	-7%	-29%
EPS Growth	0%	94%	3884%	785%	-7%	-7%
PE	41.1x	706.6x	55.8x	6.2x	7.7x	10.8x
EBITDA Margin		11%	52%	82%	78%	71%

Cash Flow Statement	2022F	2023F	2024F	2025F	2026F	2027F
Ops Receipts	0	40	155	612	612	510
Operating Costs	-13	-32	-71	-105	-129	-144
Net Interest	0	0	-9	-8	-13	-23
Tax Paid	0	0	-9	-74	-117	-83
Ops Cash Flow	-12	7	66	424	353	259
CapEx	-14	-89	-221	-25	-187	-307
Exploration	-13	-6	-5	-5	-5	-5
Acquisitions	-181	0	0	0	0	0
Investing CF	-207	-95	-226	-30	-192	-312
Free Cash Flow	-26	-82	-155	399	166	-48
Change in Debt	9	0	110	-10	72	132
Change in Equity	371	0	0	0	0	0
Dividends Paid	0	0	0	-150	-228	-162
Financing CF	380	0	110	-160	-156	-30
Change in Cash	160	-88	-50	234	5	-83

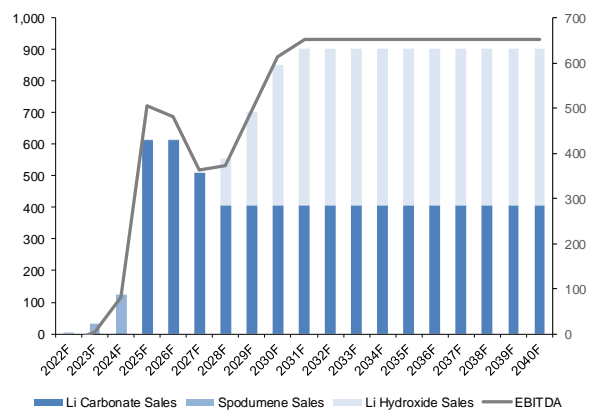
Balance Sheet	2022F	2023F	2024F	2025F	2026F	2027F
Cash	196	108	58	292	297	214
Trade Receivables	3	6	23	92	92	77
Inventories, Other	3	6	15	51	52	43
Current Assets	201	120	96	435	440	334
PPE	189	272	474	480	642	924
Other Non-Current	166	162	170	196	198	196
Non-Current Assets	355	434	644	676	840	1,120
Total Assets	557	554	740	1,111	1,281	1,453
Trade Payables	7	5	11	16	19	22
Current Debt	0	1	18	16	27	47
Provisions, Other	0	0	0	0	0	0
Current Liabilities	8	7	29	33	47	69
Long Term Debt	9	8	101	92	153	265
Other	43	39	66	188	185	154
Non-Current Liabilities	52	47	166	281	338	420
Total Liabilities	60	53	195	313	385	488
Net Assets	497	500	545	798	895	965
Contributed Equity	500	500	500	500	500	500
Retained Earnings	-9	-6	39	292	389	459

Resources/Reserves	Mt	%	Total	Mineral
Abitibi Hub Resources	119.1	1.1%	1,254	Li (kt, Li2O)
Abitibi Hub Reserves	41.3	1.0%	401	Li (kt, Li2O)
Moblan Resources	16.1	1.4%	222	Li (kt, Li2O)
Moblan Reserves	10.7	1.4%	150	Li (kt, Li2O)

Assumptions	2022F	2023F	2024F	2025F	2026F
Currency AUD/USD	0.726	0.723	0.750	0.750	0.750
Lithium Carbonate (USD/t)	47,665	70,000	55,000	40,000	30,000
Spodumene Price (USD/t)	2,463	4,800	3,700	2,600	1,700

Operations (100% basis)	2022F	2023F	2024F	2025F	2026F
Li Carbonate Sales (kt)	0.0	0.0	0.0	15.3	20.4
Spodumene Sales (kt)	0.0	42.5	127.5	0.0	0.0
Total Sales (kt)	0.0	42.5	127.5	15.3	20.4
Li Carbonate Cost (US\$/t)				6,884	6,332
Spod. Cash Cost (US\$/t)		440	398	345	338

Revenue by Product (lhs) and EBITDA (rhs) (\$m)



Valuation +1yr	Method	A\$m	A\$/Sh (diluted)
Abitibi Lithium Hub	NPV10	2,938	0.34
Moblan Mine	NPV10	1,560	0.18
WA Lithium	Est.	20	0.00
WA Gold	Est.	20	0.00
Unpaid Capital	A/C	11	0.00
Corporate Costs	NPV10	(85)	(0.01)
Net Cash (Debt)	A/C	99	0.01
Valuation		4,563	0.53

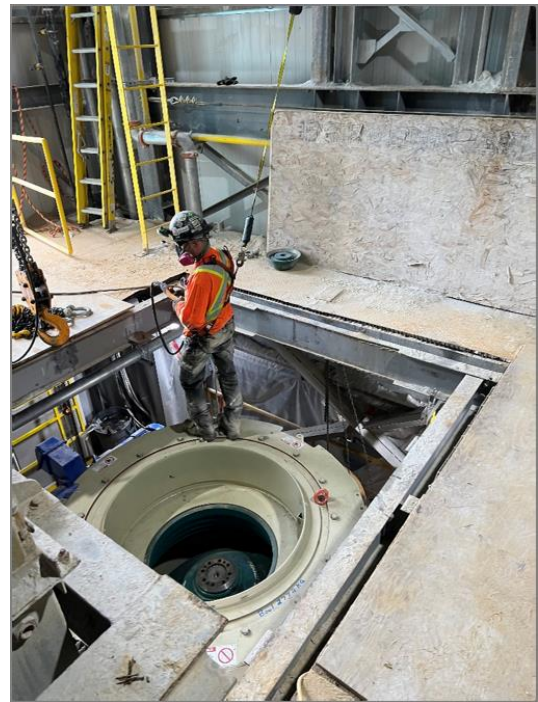
Source: Petra Capital

Figure 1: Opening for the WHIMS installation



Source: SYA

Figure 2: Cone Crusher installation



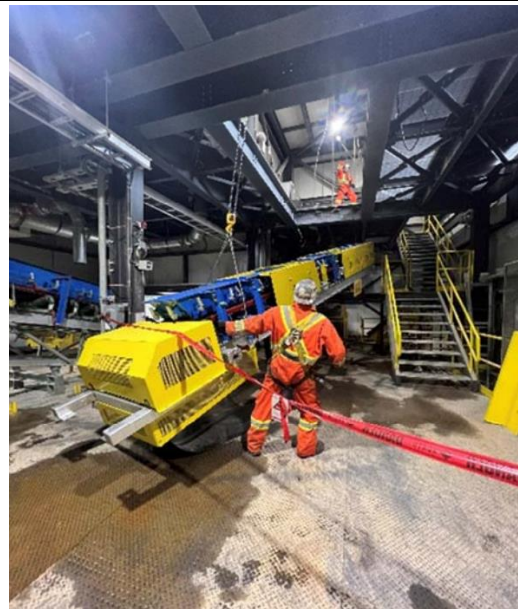
Source: SYA

Figure 3: Installation of the third ore sorter conveyor, external view



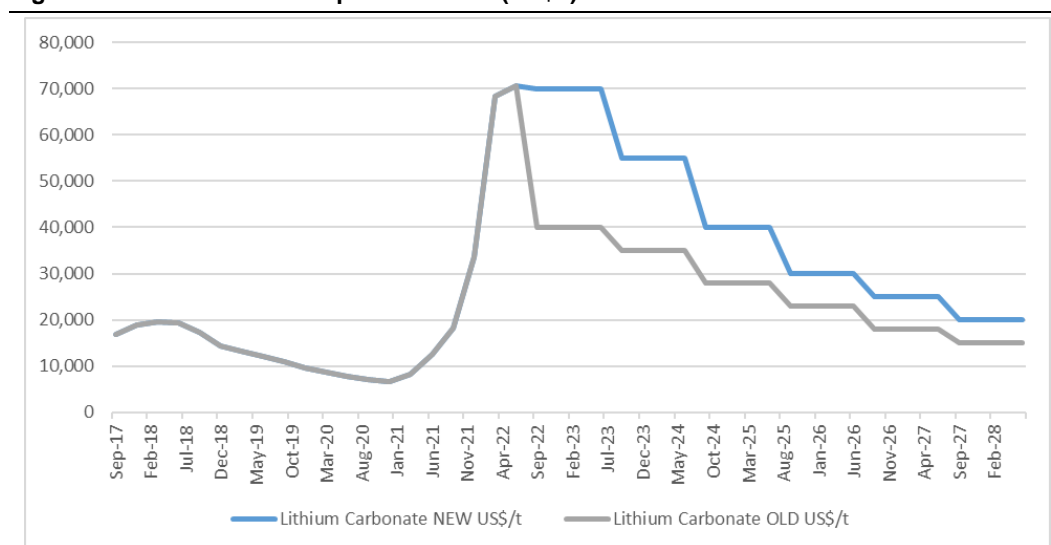
Source: SYA

Figure 4: Installation of the third ore sorter conveyor, internal view



Source: SYA

Figure 5: Lithium Carbonate price forecast (US\$/t)



Source: Benchmark Mineral Intelligence, Petra Capital

Figure 6: Summary of changes – from Increased forecast lithium prices.

		FY23F			FY24F			FY25F		
		New	Old	% var	New	Old	% var	New	Old	% var
Revenue	A\$m	40	40	0%	155	134	16%	612	428	43%
EBITDA	A\$m	5	5	0%	82	60	35%	504	324	55%
NPAT	A\$m	4	4	0%	45	29	54%	403	270	49%
EPS	Ac/sh	0	0	0%	1	0	54%	5	3	49%
NPV/sh	A\$/sh	0.53	0.33	59%						
Valuation	A\$m	4,563	2,864	59%						
Equity Product Sales										
Lithium Carbonate	(kt)	0	0	0%	0	0	0%	11	11	0%
Spodumene	(kt)	32	32	0%	96	96	0%	0	0	0%
Total	(kt)	32	32	0%	96	96	0%	11	11	0%
Average Realised Price	A\$/t	1,246	1,246	0%	1,625	1,397	16%	53,334	37,334	43%
Average Total Cost	A\$/t	1,104	1,104	0%	772	767	1%	9,393	9,073	4%

Source: Petra Capital forecasts

Figure 7: SYA Sensitivity to Long Term Lithium Carbonate Prices

Lithium Carb. Prices (US\$/t)	Sensitivity (%)	Abitibi+Moblan NPV (\$m)	Other SotP (\$m)	Total Valuation (\$m)	Valuation Fully Diluted (\$/sh)
14,000	70%	2,784	65	2,849	0.33
17,000	85%	3,641	65	3,706	0.43
20,000	100%	4,498	65	4,563	0.53
23,000	115%	5,356	65	5,421	0.63
26,000	130%	6,213	65	6,278	0.73
29,000	145%	7,070	65	7,135	0.83
71,500	Spot Price*	18,610	65	18,675	2.17

Source: Petra, *Benchmark Minerals Lithium Carbonate (Min 99.5%) – Ex-Works China

Figure 8: Abitibi (Authier, NAL, Tansim) and Moblan attached to Quebec infrastructure



Source: SYA, geology.com

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