Barrenjoey

EQUITY RESEARCH

INITIATION

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Lithium explorers: WC8 and DLI initiation

We expand our coverage of the emerging lithium sector, initiating on Wildcat Resources (WC8) with an Overweight rating and $0.80 PT and Delta Lithium (DLI) with a Neutral rating and $0.30 PT.

Two emerging lithium discoveries in WA

WC8 and DLI have both made promising initial discoveries that enabled them to launch significant capital raisings in DQ23 and entice Mineral Resources (MIN) onto their respective registers as their largest shareholder. With balance sheets now capable of funding extensive exploration and initial feasibility work, in our view both companies are well positioned to define economic projects over the next 12-24 months.

Valuations hit, but more reality check than acute mis-pricing

Despite shares falling 22% (WC8) and 66% (DLI) from their 2023 peaks and spodumene concentrate prices ~30% below B*e long-run prices, we don't find significant dislocations in value from our calculated NAVs. Using our own assessment on likely initial project size and grade, as well as empirical benchmarks on total funding costs and opex, our valuations imply the market is still ascribing a degree of option value to lithium developers. In the case of WC8, we see that option value as justified.

Wildcat Resources (OW, PT $0.80): An elephant by the tail

We believe WC8 is targeting a maiden Resource at Tabba Tabba of 100Mt+ by H2 CY24, which would be capable of supporting a 3Mtpa Phase 1 (throughput), producing ~410ktpa of 5.5% Li2O spodumene concentrate. Tabba Tabba's apparent scale, location and permitting status give it a high likelihood of being developed, in our view. The critical factors determining its value in the next 12-18 months will be the timing and scale of its proposed initial development and the size/grade of its maiden Resource, which potentially could accommodate a larger or higher-grade project than we model. Our $0.80ps PT is underpinned by an NPV on a 3Mtpa development.

Delta Lithium (N, PT: $0.30): Potential abounds, but still an explorer

DLI defined a maiden Resource of 25.7Mt @ 1.0% Li2O at its Yinnetharra project and will be expanding its drilling programme to the prospective Jamesons target in JQ24, where multiple outcropping LCT pegmatites have been identified. In our view, further Resource and/or grade increases are needed in order for DLI to define a project that is palatable to the market. Our valuation assumes a 2Mtpa throughput operation is defined at Yinnetharra, but with current grades at 1.0% Li2O pushing the envelope of marginal incentive economics (based on a US$1,500/t LR spod. con. price), we generate an NPV inclusive of study costs of $0.20cps. We value its Mt Ida project at book given lack of clarity on a pathway forward and initiate with a Neutral rating.

B* Rating, Price Target and EPS

	Rating New	Price Tgt New	Last Price	ETR	Market Cap $m	EPS FY24	EPS FY25	EPS FY26
WC8	OW	0.80	0.71	12.7%	849	(1.9c)	(2.9c)	(4.3c)
DLI	N	0.30	0.32	(4.8%)	224	(2.1c)	(2.2c)	(0.5c)

Source: Barrenjoey Research estimates. B* estimates use normalised, diluted per share data. ETR = Expected total return

PE (x)			
FY23	FY24	FY25	FY26
n/a	n/a	n/a	n/a
n/a	n/a	n/a	n/a

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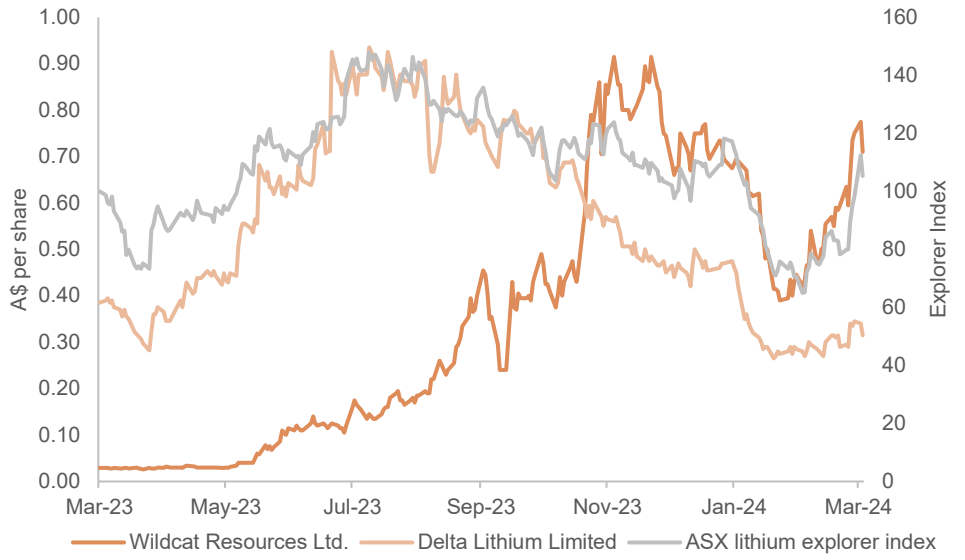
Investment summary

ASX-listed hard-rock lithium exploration companies have erased the gains from the first half of 2023 as the reality of falling benchmark prices and mining cost inflation have reframed project economics and investor risk appetites. In this environment, we initiate on two exploration companies that have made discoveries and that we believe have the budgets to expand and progress them into feasible projects over the next 12-24 months: Wildcat Resources (WC8) and Delta Lithium (DLI).

Figure 1: WC8 and DLI 12-month share price performance



Source: Company data, Barrenjoey Research

Note: ASX lithium explorer index weighted by market cap and includes: CHR, CY5, CRR, DLI, FBM, GL1, GT1, IND, LLI, LRS, PAT, PMT, TYX, WC8, WR1

We find that despite spot prices for spodumene concentrate now ~30% below consensus long-run pricing, a significant valuation gulf hasn't emerged. WC8 trades at a 18% premium to our $0.60ps NAV, while DLI trades at a 19% premium to our $0.27ps NAV.

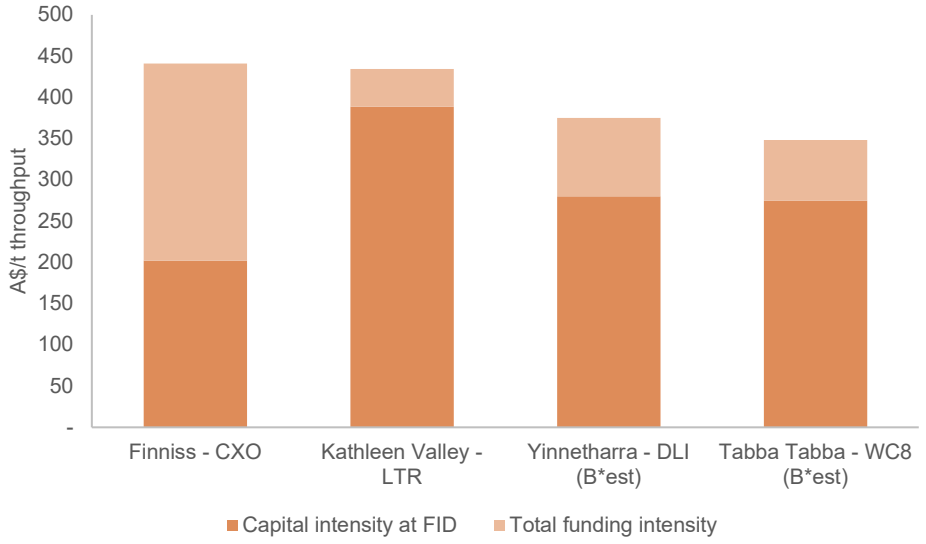
We value both companies using a theoretical development model of potential Phase 1 development economics, which includes our assessment on likely project size (throughput) and grade based on the Resource/drilling data released to date.

A couple of key points influence our valuations:

- We benchmark against total funding costs, which includes drilling, feasibility studies and corporate costs, as well as capital, operating and working-cap build costs in pre-production. While capital intensities at FID from recent studies can be as low as A$218/t mill feed (GL1 – Mar'23), total funding costs from first discovery have been more like A$430/t for recent empirical examples - Liontown's Kathleen Valley (LTR) and Core Lithium's Finniss (CXO).[1] We acknowledge project-specific circumstances (underground and multi mine development), and benchmark DLI and WC8 on total funding costs of A$375/t mill feed (DLI) and A$350/t mill feed (WC8) on the basis of single asset, open cut operations.

[1] We exclude WES/SQM's Mt Holland project given insufficient detail on Mt Holland mine costs

Figure 2: Capital intensity and total funding intensity (A$/t throughput)

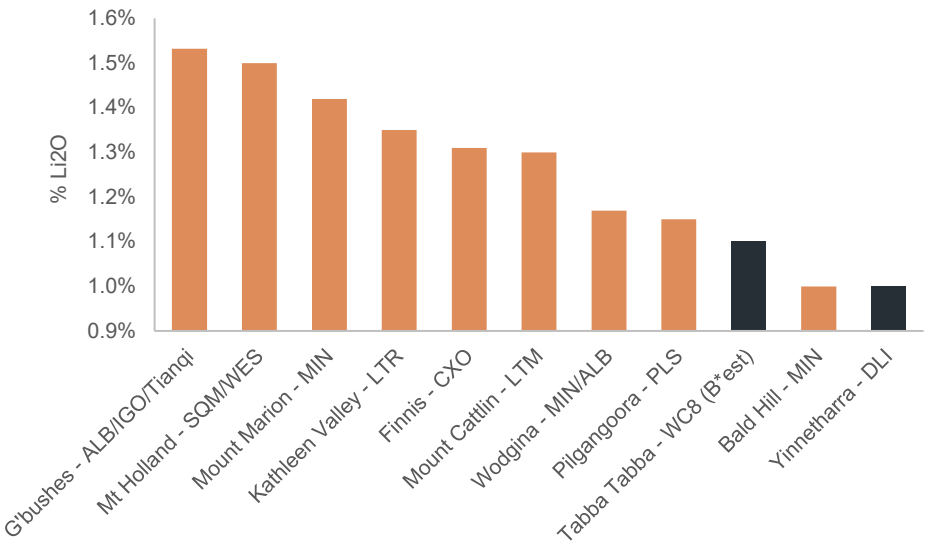


Source: Company data, Barrenjoey Research

Note: Kathleen Valley funding intensity includes the use of the now terminated A$760m debt facility to deliver a 4Mtpa throughput project. Capital intensity is updated post FID, incl. working cap build.

- We model Resource grades of 1.1% Li2O for WC8's Tabba Tabba and 1.0% Li2O for DLI's Yinnetharra, which places them at the low-end of Resource grades for operating Australian hard-rock projects.[2] As a result, our steady-state all-in sustaining costs are at the high-end of its domestic peer group at US$862/t (SC6 equiv.) for WC8 and US$979/t (SC6 equiv.) for DLI.

Figure 3: Tabba Tabba (B*e) and Yinnetharra Resource grades vs. producing/financed Australian assets



Source: Company data, Barrenjoey Research

Despite trading at a premium to our calculated NAVs, our valuations are highly sensitive to variations in feed grade, throughput and mine life. We see a clearer path to further value upside from these parameters at WC8, which is defining a Resource that at this early stage appears to have the potential to accommodate a larger (and potentially higher grade) operation than modelled. An expanded Phase 2 to 5Mtpa throughput after two years of

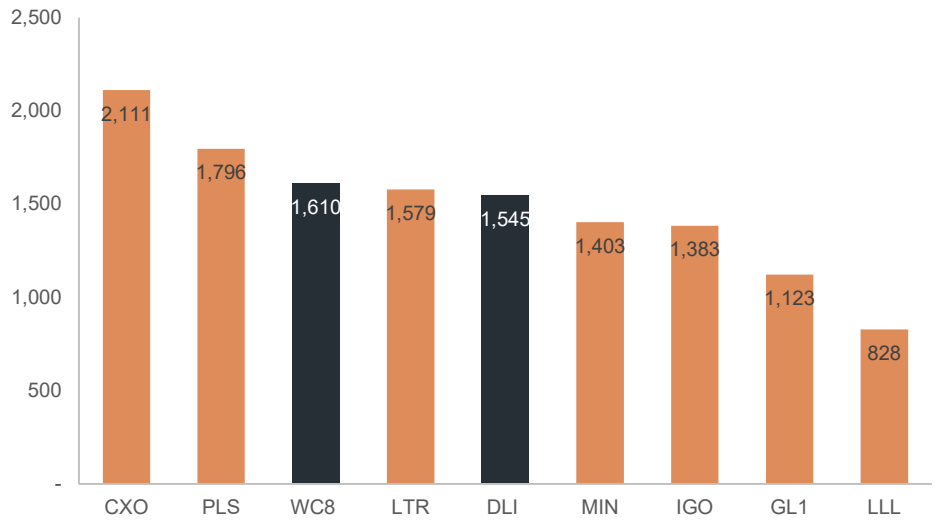
[2] Our US$1,500/t long-run spodumene price is based on the price we estimate it would take to incentivise (i.e. deliver a 15% IRR) on a 1% Li2O orebody in WA.

operation, would lift our NAV to $0.98ps. Its relative scarcity as a potential 100Mt+ Resource in Australia could also be an upside risk, in our view.

While DLI has already defined a Resource at Yinnetharra, we believe it is further away from defining an economic project that is palatable to the market. As drilling results are released at the Jamesons prospect and beyond, our understanding of value will likely crystallise further.

Within our lithium coverage universe our preferred exposures among the lithium producers are MIN (OW, PT $72.00) and IGO (OW, PT $10.50). Our preferred exposures among the developers are GL1 (OW, PT $1.30) and WC8 (OW, PT $0.80). We have Underweight ratings on LTR, CXO and are Neutral on PLS.

Figure 4: Implied spodumene price (SC6.0 equiv.) priced into B* lithium coverage



Source: Company data, Barrenjoey Research

Figure 5: Barrenjoey lithium coverage universe

	Share Price	Price Target	Rating	EV	EV/EBITDA FY24	EV/EBITDA FY25	P/NPV
Core Lithium	0.25	0.10	Underweight	318	5	-32	2.50
Delta Lithium	0.34	0.30	Neutral	130	NA	NA	1.26
Global Lithium	0.65	1.30	Overweight	134	NA	NA	0.49
IGO	8.16	10.50	Overweight	6,760	10	10	0.86
Leo Lithium	0.51	1.80	Overweight	1,297	-421	-491	0.29
Liontown	1.28	0.90	Underweight	2,769	-81	15	0.98
Mineral Resources	66.40	72.00	Overweight	13,658	10	6	0.92
Pilbara Minerals	4.41	3.55	Neutral	12,893	24	19	1.25
Wildcat Resources	0.78	0.80	Overweight	839	NA	NA	1.30

Source: Company data, Barrenjoey Research

Note: NA included in EV/EBITDA estimates for companies without operating earnings. LLL's Goulamina accounted for as a Minority Interest.

Wildcat Resources (OW, $0.80)

We initiate on Wildcat Resources (WC8-AU) with an Overweight rating and a Price Target of $0.80ps. We believe WC8 is targeting a maiden Resource at Tabba Tabba of 100Mt+ by H2 CY24, capable of supporting a 3Mtpa Phase 1 (throughput) that could produce ~410ktpa of 5.5% Li2O spodumene concentrate over its life of mine. Unlike many other projects at an early stage of Resource delineation, Tabba Tabba's apparent scale, location and permitting status give it a high likelihood of being developed, in our view. The critical factors determining its value in the next 12-18 months will be the timing and scale of its initial development and the potential for Resource growth that could accommodate a larger scale operation in the future.

Initial Resource target of 100Mt looks achievable

Drilling to-date supports roughly a 70Mt Resource on a risked basis, in our view, with the majority (~50Mt) sitting within the thick central zone of the Leia pegmatite where intersections of up to 180m @ 1.1% Li2O (est. true width) from 206m. We expect the company will be targeting an initial Resource above 100Mt, with potential for tonnage increases from Eastern and Northern extensions of Leia, which appears to be thickening down plunge, as well as extensions of Chewy and the addition of the outcropping Boba and Han pegmatites. Potential additional stacked pegmatites may also exist to the East. Only five other spodumene Resources >100Mt exist domestically and 10 globally.

Tabba Tabba appears capable of supporting a 3Mtpa Phase 1

Tabba Tabba sits on a granted mining lease in an established mining jurisdiction where major heritage or environmental concerns appear low, within close proximity to Port Hedland (~80km by sealed road) and appears amenable to an open-pit with the scale and grade to attract funding. These factors make the project likely to move forward to development in our view, meaning the largest (controllable) drivers of value are the size and timing of Phase 1 production. Our base case is a 3Mtpa Phase 1 development, supporting production of ~410ktpa of 5.5% spodumene concentrate, with production commencing in H2 CY28. An expanded Phase 2 is also conceivable depending on the ultimate size of the Resource.

100Mt lithium Resources are still a rarity and may hold corporate appeal

Four of the six 100Mt+ lithium Resources in Australia have been the subject of takeover approaches in the past decade, with only Pilgangoora (PLS) and Greenbushes (IGO/Tianqi/ALB-US) not bid for. This suggests to us that if WC8 were to delineate a 100Mt+ Resource (>1% Li2O), it could be viewed as having strategic value. Having recently acquired a 19.9% stake, MIN will likely influence any change of control outcome, although we wouldn't rule out 3rd party interest given possible balance sheet constraints at MIN.

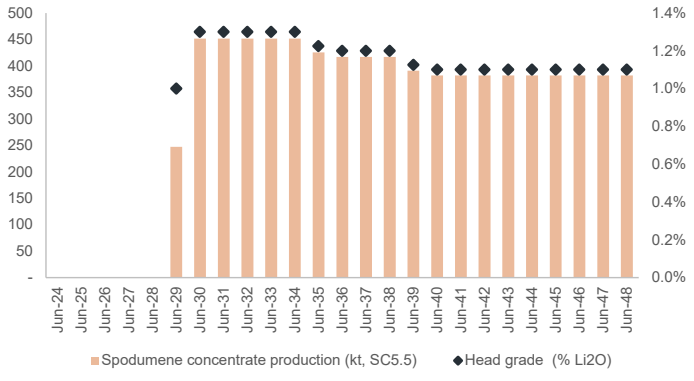
Valuation $0.80ps, initiate with Overweight

Our $0.80ps Price Target is underpinned by our $0.60ps post-finance NPV of the Tabba Tabba project, based on our theoretical development model which assumes a 3Mtpa throughput operation with an average head-grade to the mill of 1.2% over 20 years, commencing in 2028. We benchmark capital intensity (A$275/t mill capacity) and total funding costs (A$350/t mill capacity) against empirical costs from recent Australian lithium projects. Our steady state AISC cost of A$1,050/t is benchmarked against mill throughput costs at Pilgangoora (PLS). We run long-run Real spodumene concentrate prices of US$1,500/t (based on benchmark 6% Li2O).

There could be upside risk to our base valuation from delineation of a 100Mt+ Resource that would justify a Phase 2 expansion – running a Phase 2 uplift to 5Mtpa would lift our NPV to $0.98ps. Such a scenario would place Tabba Tabba alongside the largest hard rock developments in the industry; alongside Greenbushes, Pilgangoora and Wodgina.

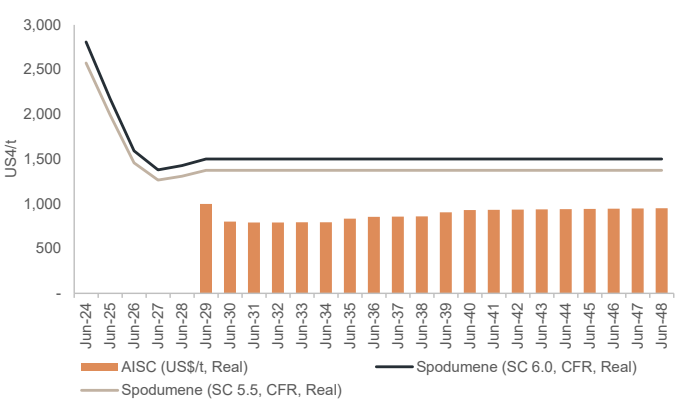
Development model and valuation charts

Figure 6: Tabba Tabba head grade (% Li2O) and spodumene concentrate production (5.5% Li2O)



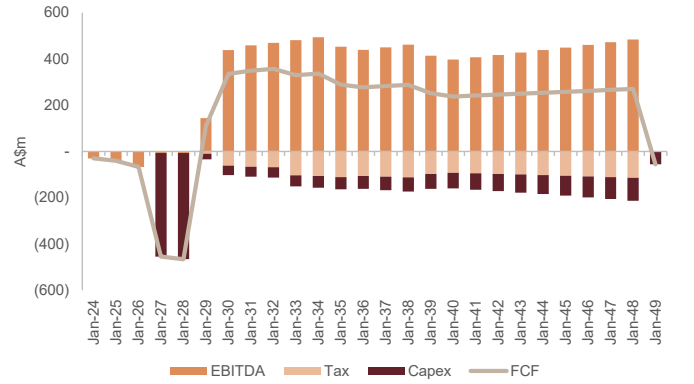
Source: Barrenjoey Research estimates

Figure 7: Tabba Tabba All-in Sustaining costs (US$/t, Real) and benchmark spodumene con. price (US$/t, SC 6.0)



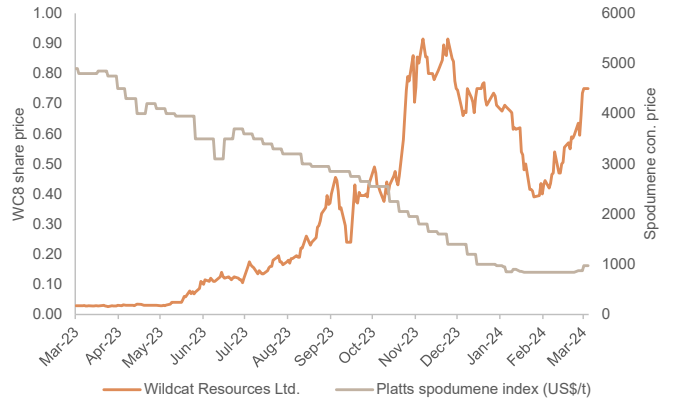
Source: Barrenjoey Research estimates

Figure 8: Free cash flow deconstructed (A$m)



Source: Barrenjoey Research estimates

Figure 9: WC8 share price vs. Platts spodumene index



Source: FactSet, Platts

Figure 10: Sensitivity analysis: Tabba Tabba 3Mtpa model NPV per share at varying spodumene concentrate prices and WACCs

	8%	10%	12%	14%
1,000	(0.25)	(0.27)	(0.28)	(0.29)
1,250	0.45	0.30	0.18	0.10
1,500	1.16	0.87	**0.65**	0.48
1,750	1.87	1.44	1.12	0.87
2,000	2.58	2.02	1.58	1.25

Source: Barrenjoey Research estimates, base case highlighted

Note: Tabba Tabba project only excl. Corp overheads, Closure provision and cash

Figure 11: Sensitivity analysis: Tabba Tabba 5Mtpa expansion case NPV per share at varying spodumene con. prices and WACCs

	8%	10%	12%	14%
1,000	-0.31	-0.33	-0.34	-0.35
1,250	0.76	0.53	0.35	0.22
1,500	1.83	1.38	1.04	0.78
1,750	2.91	2.24	1.73	1.34
2,000	3.98	3.09	2.42	1.91

Source: Barrenjoey Research estimates

Note: Tabba Tabba project only excl. Corp overheads, Closure provision and cash

Key Debate #1: How big can Tabba Tabba be?

In our view, current drilling justifies an exploration target of ~70Mt from the Leia and Chewy pegmatites. However, we believe management will target a 100Mt+ maiden Resource based on extensions down plunge to the East and with further exploration of the Boba and Han pegmatites. The potential for repeated, stacked pegmatites to the East could also be a source of upside, as could initial exploration at the Bolt Cutter Project. We expect the company will release a maiden Resource for Tabba Tabba in H2 CY24.

Project History

Alluvial Tin and Tantalum mining has occurred around Tabba Tabba since the early 1900s before Pancontinental Mining discovered what is now known as the Tabba Tabba pegmatite in the 1980s. The project was owned by Sons of Gwalia when it went into administration in 2004. In 2007 Tabba Tabba was purchased by Resource Capital Funds (RCF) along with Sons of Gwalia's three other tantalum projects; Greenbushes, Wodgina and Pilgangoora – now the three largest lithium Resources in Australia in LCE terms.

When the lithium rights in Greenbushes were sold to form Talison Lithium, the tantalum rights at Greenbushes along with the other three tantalum projects, were placed into a company called Talison Ltihium, ultimately named Talison Tantalum, that was later renamed Global Advanced Metals (GAM).

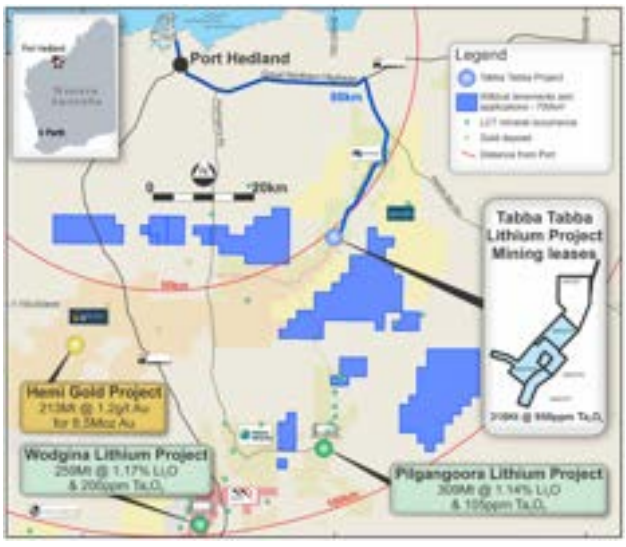
In 2014 GAM sold Pilgangoora to Pilbara Minerals (PLS, N) and in 2016 it sold Wodgina to Mineral Resources (MIN, OW). It attempted to exploit the Tabba Tabba Resource in a JV with PLS, but after constructing a small plant at site and commencing mining operations, the plant was closed in 2016 due to poor recoveries. Tabba Tabba then sat within GAM until May 2023, when an agreement with WC8 was reached to explore the leases for lithium. At the time, 38 outcropping pegmatites had been mapped on the Tabba Tabba mining lease but were largely unexplored for lithium; although three holes drilled into what is now known as the Chewy pegmatite delivered assays including 8m @ 1.42% Li2O from 4m (TDRC02).

In September 2023 WC8 announced a 'major lithium discovery', detailing results including 85m @ 1.1% Li2O (down-hole). This was followed up in October with further multiple intersections of the Leia pegmatite, including 85m @ 1.5% Li2O (true width). To date, 50 outcropping pegmatite bodies have been mapped on the tenements.

Project Overview

Tabba Tabba is located 80km from Port Hedland is accessible by sealed road. The project sits on granted Mining Leases.

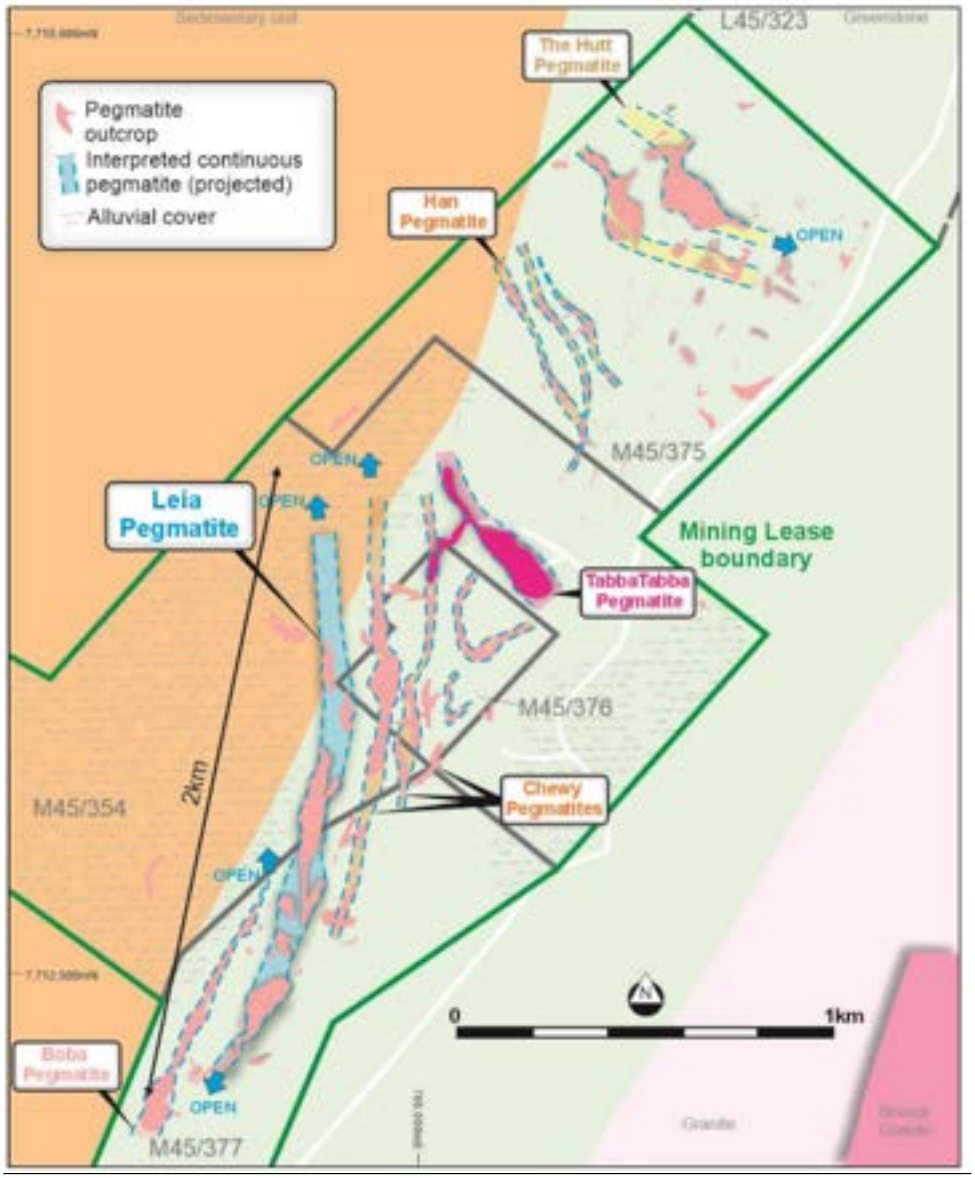
Figure 12: Tabba Tabba project location



Source: Company data, Barrenjoey Research

WC8 has identified six outcropping mineralised pegmatites at Tabba Tabba – Leia, The Hutt, Han, Chewy, Boba and Tabba Tabba. Leia is the thickest and largest of these pegmatites and will likely account for the majority of the tonnage across the tenement package when the maiden Resource is announced in the second half of 2024.

Figure 13: Tabba Tabba lithium project showing all 6 identified pegmatites

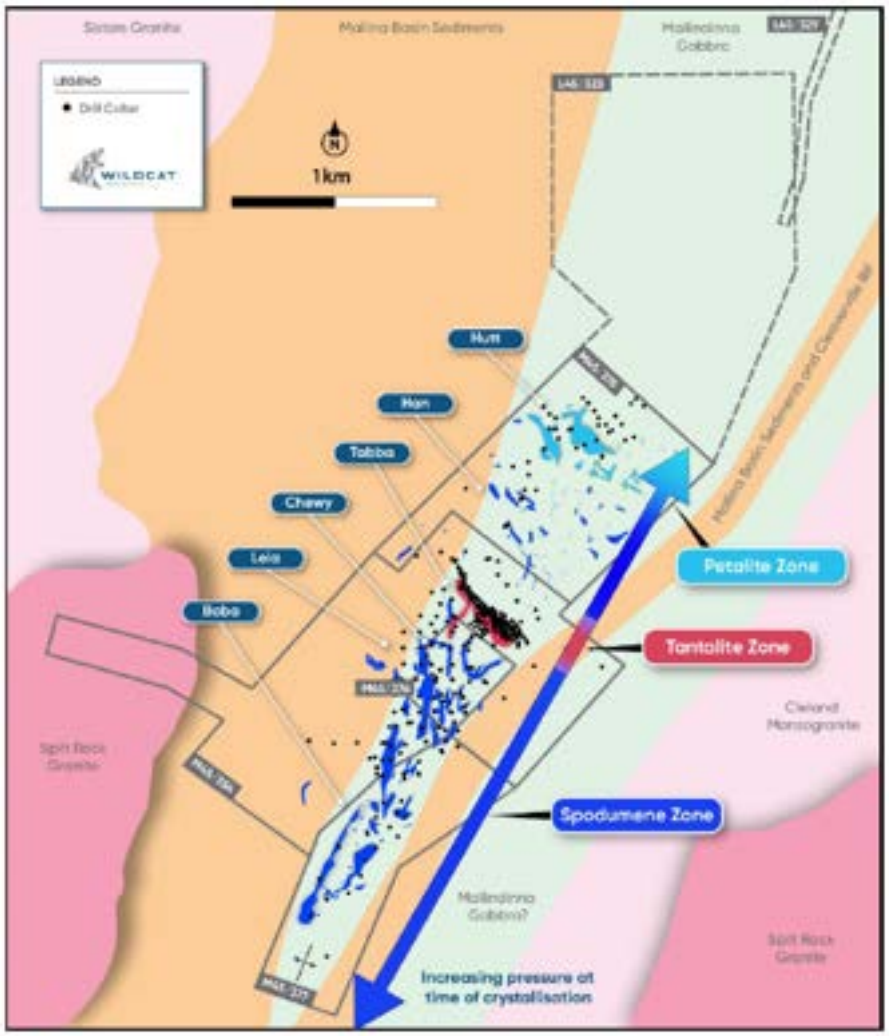


Source: Company data, Barrenjoey Research

Spodumene has been confirmed as the dominant mineral at Leia, Chewy and Boba in the Southern part of the tenement package, while the Hutt in the north contains more complex lithium mineralogy with both petalite and spodumene present. Results from XRD analysis from Han, which sits just to the North of the tantalum-rich Tabba Tabba pegmatite, have been inconclusive to date.

The transition from petalite/spodumene mineralogy in the North to spodumene dominant mineralogy in the South is interpreted to be a function of differing pressures at the time the pegmatite melt crystalises – the petalite typically occurs in a lower pressure environment and the spodumene at higher pressures.

Figure 14: Updated Wildcat exploration model highlighting spodumene zoning

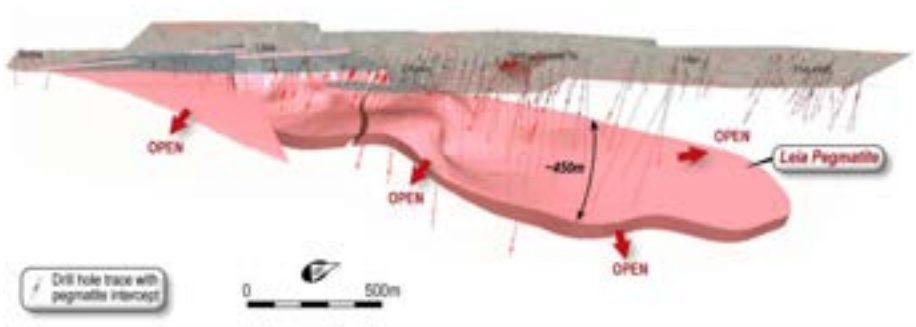


Source: Company data, Barrenjoey Research

Leia Pegmatite

The Leia pegmatite is the primary prospect at Tabba Tabba and has been intercepted over a 2.2km strike, 400m down-dip and at a true-width of up to 180m. It protrudes at surface in the Southern-end of WC8's tenements and thickens down-dip as it extends up to the northern end of the tenements.

Figure 15: Isometric view of Leia pegmatite based drilling to date

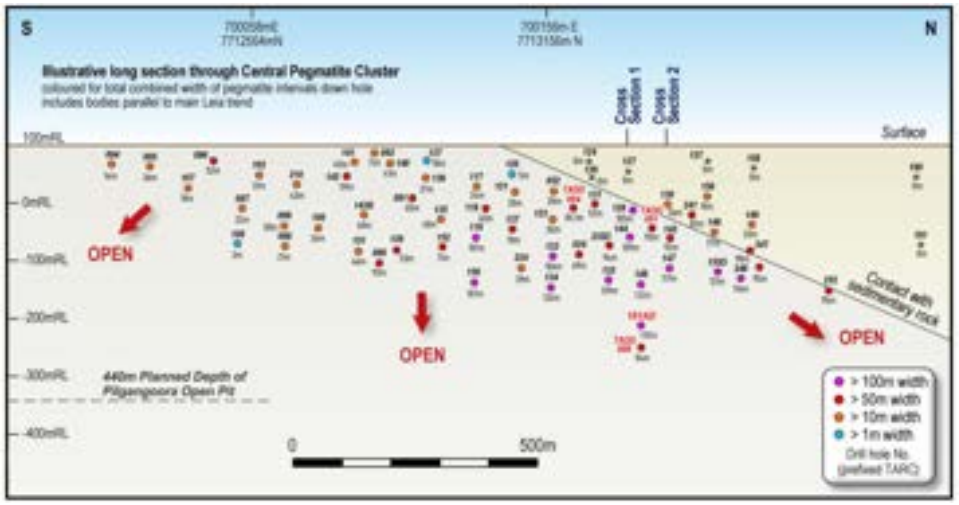


Source: Company reports

As the orebody dips and thickens to the North, grades also improve, with a step change in the top two-thirds of the orebody. Examples of intersections in the most well-defined central zone of the ore body include:

- 180m @ 1.1% Li2O from 206m (TARC148) (est. true. width)
- 99m @ 1.2% Li2O from 207.0m (TARC234D) (est. true width)
- 85m at 1.5% Li2O from 133m (TARC128) (est. true width)
- 85m at 1.3% Li2O from 167m (TARC144) (est. true width)

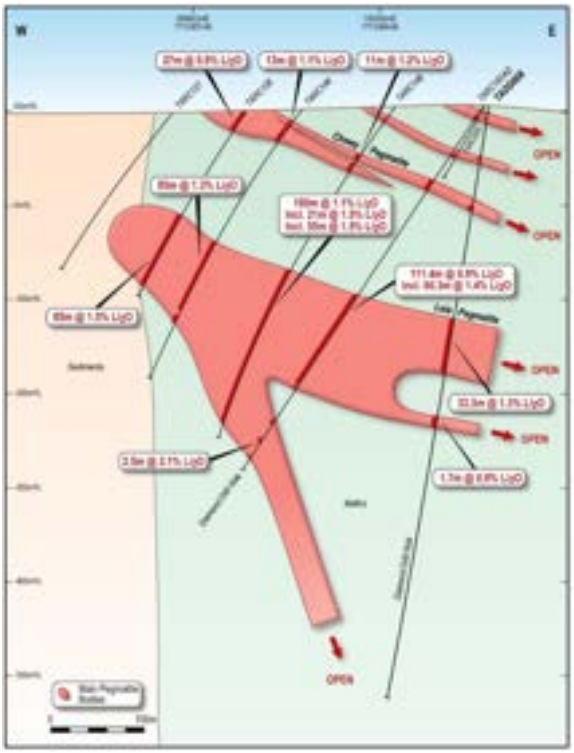
Figure 16: Long section highlighting thickness and grades increasing to the North



Source: Company data, Barrenjoey Research

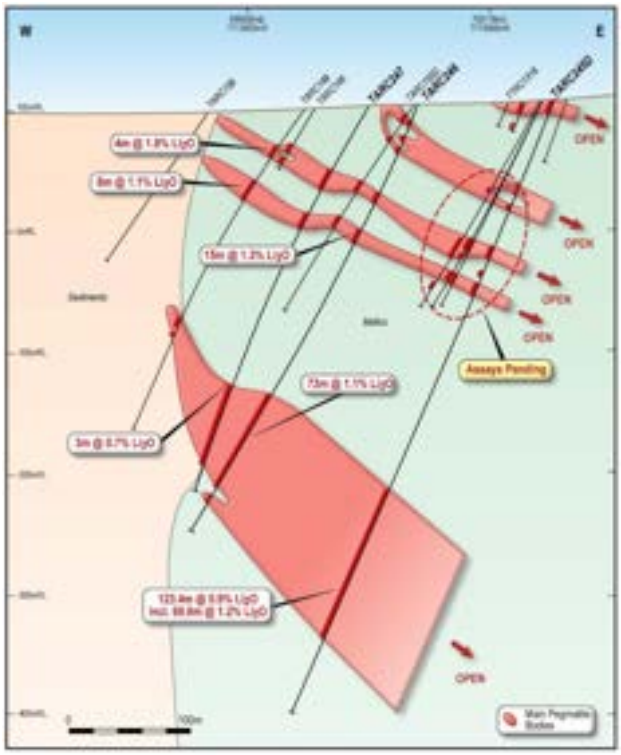
On 24 January 2024, WC8 announced an 100km programme that will target extensions at Leia to the North and down-dip to the East. Six rigs will be operating at site with two focused on in-fill drilling at Leia, two focused on the Northern and Eastern extensions at Leia and two on the Boba and Han targets.

Figure 17: Cross section 1 – Plan view on Figure 21



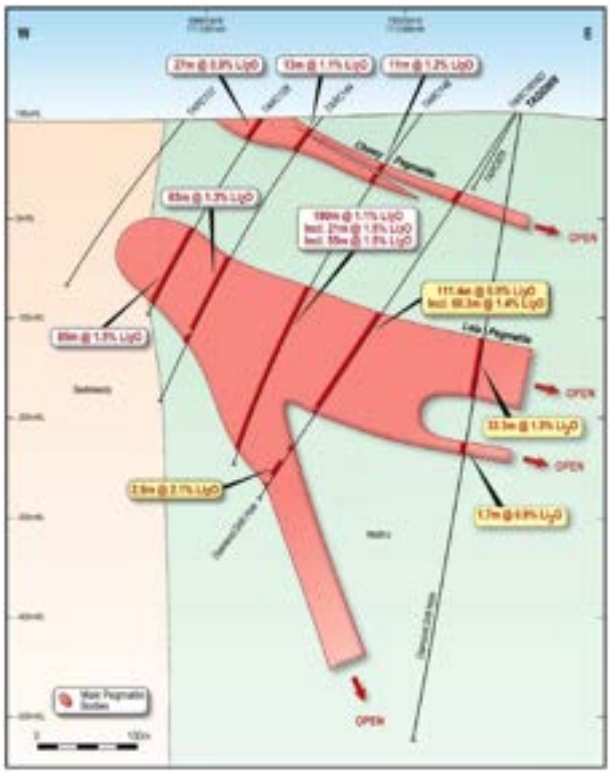
Source: Company data

Figure 18: Cross section 2 - Plan view on Figure 21



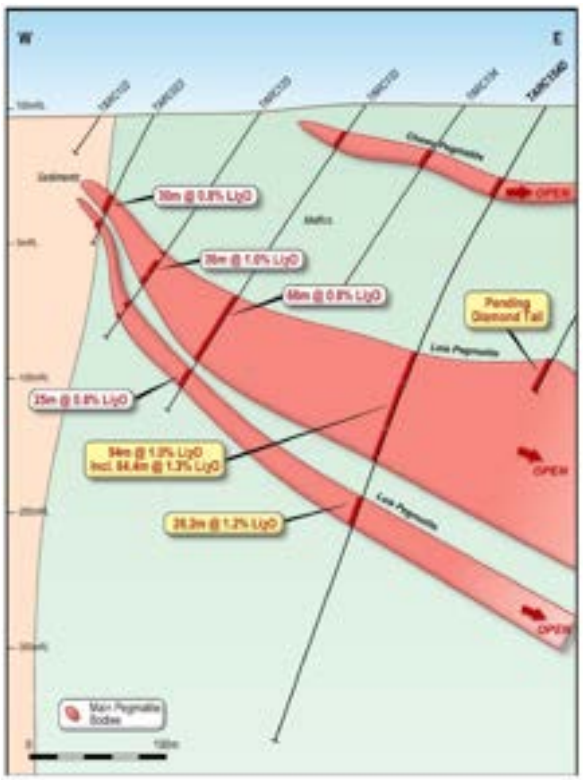
Source: Company data

Figure 19: Cross Section 3 - Plan view on Figure 21



Source: Company data

Figure 20: Cross Section 4 - Plan view on Figure 21



Source: Company data

Other pegmatites

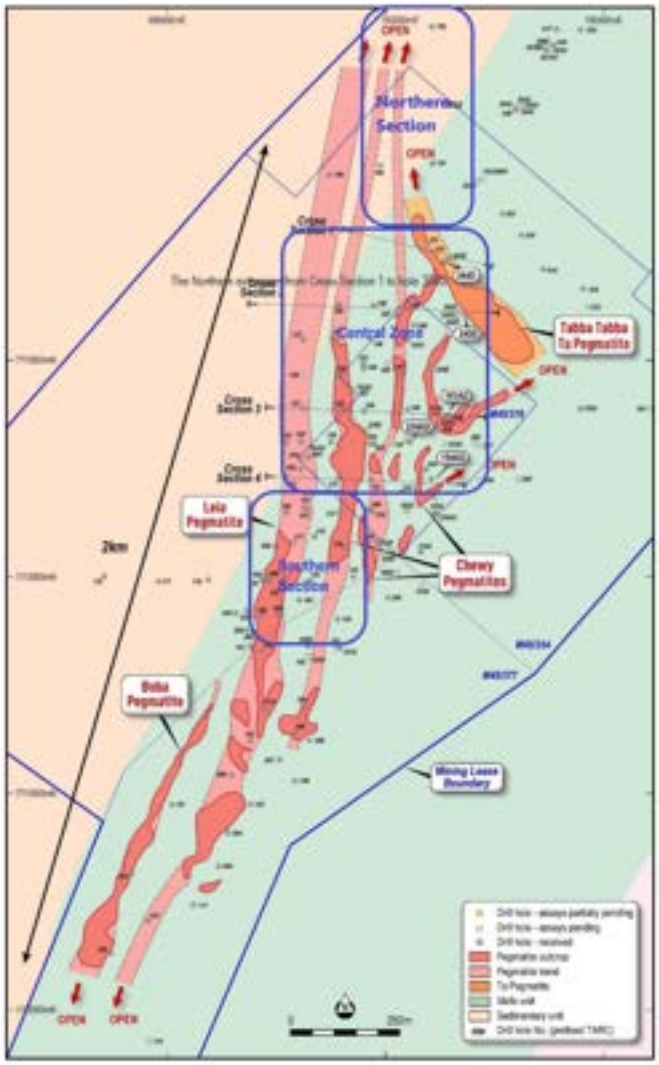
- **Chewy:** Chewy refers to a stacked pegmatite system to the east of and in the hangingwall of the Leia pegmatite. It comprises multiple stacked pegmatites with typical widths of 5-20m but up to 42m wide.
- **Boba:** The Boba pegmatite is located to the southwest of and in the footwall of Leia. Several holes have partially intersected the Boba pegmatite but given the updated geological model, which implies potential for spodumene mineralization in the south, Boba will be a key target of the next 100km drill campaign.
- **Han:** Consists up multiple outcropping stacked pegmatites. While the mineralogy at Han is not clear, based on UV fluorescence and the new exploration model management believes that Han could exhibit the same spodumene rich mineralisation as Leia. Initial drill holes intercepted hits including 12m @ 1.5% Li2O and 13m @ 1.0% Li2O. Han is open 600m to the Southeast of existing drillholes based on mapped outcrops.

Resource potential

We crudely map the approximate known geometry of Leia and Chewy based on existing drill data, breaking Leia and Chewy into three segments:

- The broad central zone delineated between Cross Section 1 and Cross Section 4 in Figure 21. We apply an average width, depth and grade based on the holes that define the eastern and western limits of the known Resource (Figure 23).
- The Northern extension from Cross Section 1 to hole 304D. Assays have not yet been received for hole 304D, which sits ~500m to the north of Cross Section 1; however, the hole intersected 59m of pegmatite, including 42m contiguous from 421m. We apply a 70% probability weighting to these tonnes given assays from the northern extremities have not been released and continuous mineralisation of the pegmatite has not been demonstrated.
- The Southern extension from Cross Section 4 to hole TARC141. We note that mineralisation has been demonstrated well south of TARC 141, with hole TARC210 (~200m south) intercepting 16m @ 1.0% Li2O. However, given limited drilling in the around the Boba pegmatite we have not included it in our base case. We apply an 80% risk weighting to Southern extension tonnes.

Figure 21: Tabba Tabba project highlighting approximate geometry



Source: Company data, Barrenjoey Research

Figure 22: Modelled ore tonnage estimate for Leia and Chewy

	Strike (m)	Avg. Width (m)	Avg. Depth (m)	SG	Mineralised tonnage	Grade (% Li2O)	LCE (t)	Risk weight	Tonnage (risk weighted)
Northern Section (CS1 to TARC304D)	500	68	200	2.7	18	1.1%	0.5	70%	13
Central Zone (CS1 to CS4)	600	93	325	2.7	49	1.1%	1.3	100%	49
Southern section (CS4 to TARC141)	375	56	200	2.7	11	0.9%	0.3	80%	9
Total Tonnage					**79**	**1.1%**	**2.1**		**71**

Source: Company data, Barrenjoey Research estimates

Figure 23: Drilling data used in tonnage estimate

	Western limb			Mid Section			Eastern limb			Depth (W-Mid)	Depth (Mid-E)
	Interval (m)	Grade (%Li_2O)	Hole	Interval (m)	Grade (%Li_2O)	Hole	Interval (m)	Grade (%Li_2O)	Hole	Interval (m)	Interval (m)
Cross Section 1 - Chewy	27	0.9%	TARC128	11	1.2%	TARC148	na	na	TADD008	150	0
Cross Section 1 - Leia	85	1.5%	TARC128	180	1.1%	TARC148	33	1.3%	TADD008	175	233
Cross Section 4 - Chewy	na	na	TARC123	na	na	TARC133	na	na	TARC154D	75	133
Cross Section 4 - Leia	36	1.0%	TARC123	68	0.8%	TARC133	120	1.0%	TARC154D	75	167
Northern extremity			TARC304D	59	na						
Southern extremity			TARC141	18	0.9%						

Source: Company data, Barrenjoey Research estimates

On a risk-adjusted basis we believe drilling to date supports a Resource target of ~71Mt @1.1% Li2O. However, we expect the company will be targeting a maiden Resource in the second half of the year >100Mt, with a number of areas for potential Resource growth.

- Leia and Chewy extensions to the East - both pegmatites appear to be thickening as they dip to the East and remain open
- Repeating stacked pegmatites to the East covered by topsoil
- Boba pegmatites to the South have not been included in our Resource estimate and are known to be spodumene bearing, as disclosed by the company
- Han pegmatites in the North are yet to be tested
- Bolt Cutter remains untested – WC8 has 470km^2 of tenements to the West of Tabba Tabba, which will be explored as part of the expanded 100km programme in 2024 – outcropping lithium bearing pegmatites have been identified and early Geochem work has been completed

Key Debate #2: What size project will WC8 seek to develop?

With a potential 100Mt Resource amenable to open pit mining, we believe Tabba Tabba will comfortably be able to support a ~3Mtpa throughput Phase 1, producing ~410ktpa of spodumene concentrate (SC5.5) and generating LoM average free cash flow of ~A$193m (Real) at US$1,500/t spodumene (SC6.0). Material Resource additions beyond 100Mt could support further expansion - an upside case of 5Mtpa throughput would generate LoM average free cash flows of A$281m (Real) and place Tabba Tabba alongside the largest hard rock developments in the industry, Greenbushes, Pilgangoora and Wodgina.

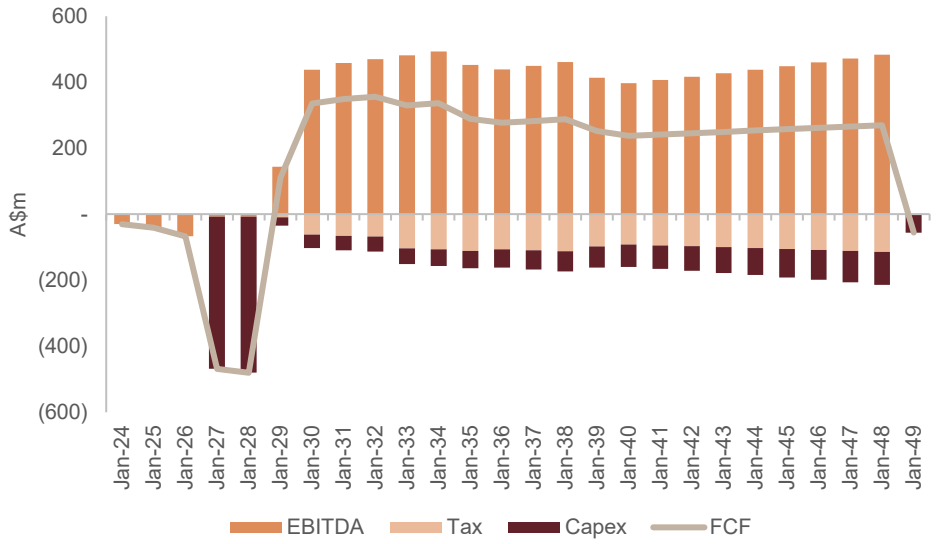
For valuation purposes, we run a theoretical development model that applies the following assumptions:

- Reserves equivalent to our initial Resource target (70Mt @ 1.1% Li2O).
- A 3Mtpa initial throughput processing facility, consisting of DMS, flotation, magnetic separation, with selective mining and potentially ore sorting lifting the feed head-grade to 1.3% Li2O in the first five years, before dropping to 1.1% by year 10.
- Capex of A$824m (Real) implying capital intensity of A$275/t throughput, including working capital and finance costs. Total project spend from today is A$1,050m which includes A$200m on exploration drilling, corporate operating costs and feasibility studies. This is based on total funding intensity of A$350/t throughput. Benchmarking details are provided in the sections below.
- An additional A$100m capital raised in 2H CY25 (at NPV $0.60) to complete feasibility work with FID in 2H26 and production commencing in 2H28.
- Steady state recoveries of 70% Li2O, ramping up from 50% in the first 12 months post commissioning, producing a 5.5% Li2O concentrate.
- Steady state All-in Sustaining Costs of US$790 per tonne of 5.5% Li2O concentrate (Real) comprising; Mining costs of A$70/t mill feed, Processing costs ofA$50/t mill feed, A$75/t concentrate Logistics costs (FOB), 5% State Royalty and 0.75% royalty payable to GAM, A$4/t G&A.
- B*e long-run prices of US$1,500/t (SC6) Real

The model generates the following outputs:

- Spodumene production of 452kt pa (5.5% Li2O)
- NPV (Dec-24) of A$828m applying a 12% WACC and an IRR of 20% at FID, inclusive of SG&A and closure provisions.
- Life of mine average annual EBITDA of A$307m and FCF of A$193m (2024 Real terms).

Figure 24: Tabba Tabba theoretical development model cash flows (3Mtpa)



Source: Company data, Barrenjoey Research estimates

We also run an upside expansion case, which lifts mill throughput to 5Mtpa after two years of operation at a capital intensity of A$150/t (i.e. A$300m). This scenario generates the following outputs:

- Group NPV (Dec-24) of A$1,177m ($0.98ps) applying a 12% WACC and delivers an IRR of 23% at FID, inclusive of SG&A and closure provisions.
- Life of mine average annual EBITDA of A$476m and FCF of A$281m (2024 Real terms).

Development timetable benchmarking

We use LTR's development timetable as a benchmark for our timeframe to first production. Based on its mid-2024 commissioning target, LTR will have delivered first production four years after announcing its 75Mt Resource at Kathleen Valley. We base our H2 CY28 commissioning date for Tabba Tabba four years after the expected maiden Resource in the second half of this year.

Figure 25: LTR timeframe from discovery to FID

Date	Years from discovery	Event
Jun-18	0.0	$3m cap raise
Sep-18	0.3	21Mt (@1.4% Li2O) Resource at Kathleen Valley
Feb-19	0.7	$7.9m capital raise
Mar-19	0.7	Kathleen Valley multiple stacked pegmatites discovery
Jun-19	1.0	75Mt Resource (@ 1.3% Li2O) announced at Kathleen Valley
Aug-19	1.2	$18m capital raise
Feb-20	1.7	Resource increases to 139Mt @ 1.3% Li2O
May-20	1.9	Resource increases to 156Mt @ 1.4% Li2O
Oct-20	2.3	$12.5m capital raise to fund through to DFS completion
Jul-21	3.1	$52m capital raise
Nov-21	3.4	Kathleen Valley DFS
Dec-21	3.5	$463m capital raise and FID
Jun-22	4.0	$300m debt facility and offtake arrangement with Ford
Oct-23	5.3	$376m (+$45m SPP) and $700m debt facility announced

Source: Company data, Barrenjoey Research

Capex Benchmarking

We benchmark capital intensity ($ per tonne of throughput) and project funding intensity ($ raised per tonne of throughput) for two of the three most recent Australian greenfield

developments, Kathleen Valley (LTR) and Finniss (CXO).[3] Funding intensity incorporates all funds raised from discovery, through feasibility and to first production and informs the estimates we apply to both our WC8 and DLI theoretical development models.

- CXO delivered its Finniss project for capital intensity of A$202 per tonne of mill capacity, but total funding raised from the market to deliver the project was A$441/t. The additional funding incorporates opex and working capital, but also funds to develop a second mining feed source (BP33), which would not be replicated at Tabba Tabba.
- LTR expects to deliver its Kathleen Valley project for A$1,166m (inc. working capital and corporate costs), or capital intensity of A$389 per tonne of mill capacity (3Mtpa throughput). However, it had raised A$1,737m, equivalent to A$434 per tonne of mill capacity.[4]

Figure 26: Capital and funding intensities of Greenfield lithium development comps

	Capex (A$m)	Throughput (Mt)	Capital Intensity (A$/t)
LTR	1,166	3.0	389
CXO	202	1.0	202
GL1 (Scoping)	436	2.0	218
	Funds raised (A$m)	**Throughput (Mt)**	**Funding Intensity (A$/t)**
LTR	1,737	4.0	434
CXO	441	1.0	441

Source: Company data, Barrenjoey Research estimates

Note: Kathleen Valley funding intensity includes the use of the now terminated A$760m debt facility to deliver a 4Mtpa throughput project. Capital intensity is updated post FID, incl. working cap build.

Given the difference between quoted capital numbers and funding utilised, we base the capital intensity for Tabba Tabba on the higher funding intensity number, which in our view better reflects actual cash spend and likely equity dilution.

We do, however, apply a $350/t mill capacity funding intensity at Tabba Tabba, a ~15-20% discount to Kathleen Valley and Finniss, which we attribute to the likely simple, open-cut profile of the mine. Both Kathleen Valley and Finniss will entail both open cut, and underground developments to feed the mill as part of the financing package required to bring them to sustainable production.

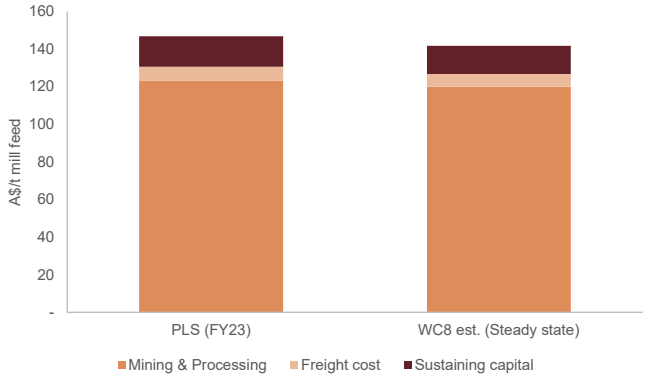
Opex benchmarking

We benchmark costs against PLS's Pilgangoora given its proximity, operating history and clean disclosure. It has consistently achieved mining and processing costs in the A$120-$130/t mill feed range and sustaining capital in the A$12-A$22/t mill feed range. In our view, the thickness of the Leia pegmatite has the potential to offer metallurgical benefits (less dilution / iron contamination) in processing that could yield slightly higher recoveries in the long run and associated improved operating cost performance. We model steady state unit costs of A$142/t mill feed (excluding royalties and SG&A), which drives US$790/t spodumene concentrate ASIC.

[3] Mount Holland (WES) construction completed in 2023, but capital spend data not split out in reporting between mining/downstream, hence not included in this analysis

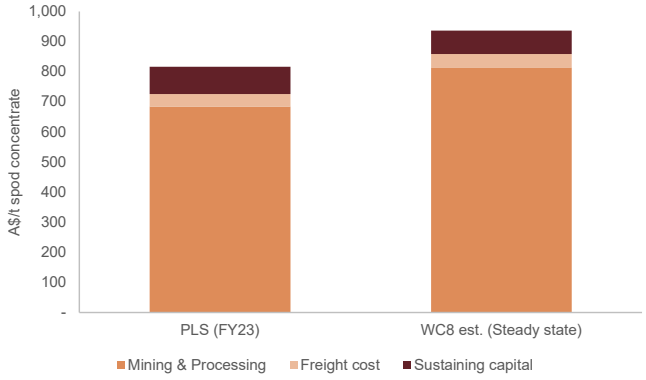
[4] Kathleen Valley funding intensity calculation includes the use of the now terminated A$760m debt facility to deliver a 4Mtpa throughput project. As a replacement facility is yet to be announced, we view this as the best indication of project total funding intensity.

Figure 27: Pilgangoora FY23 vs. Tabba Tabba modelled steady state unit costs (A$/t mill feed) excluding royalty and SG&A



Source: Company data, Barrenjoey Research

Figure 28: Pilgangoora FY23 vs. Tabba Tabba modelled steady state unit costs (A$/t spodumene con.) excluding royalty and SG&A



Source: Company data, Barrenjoey Research

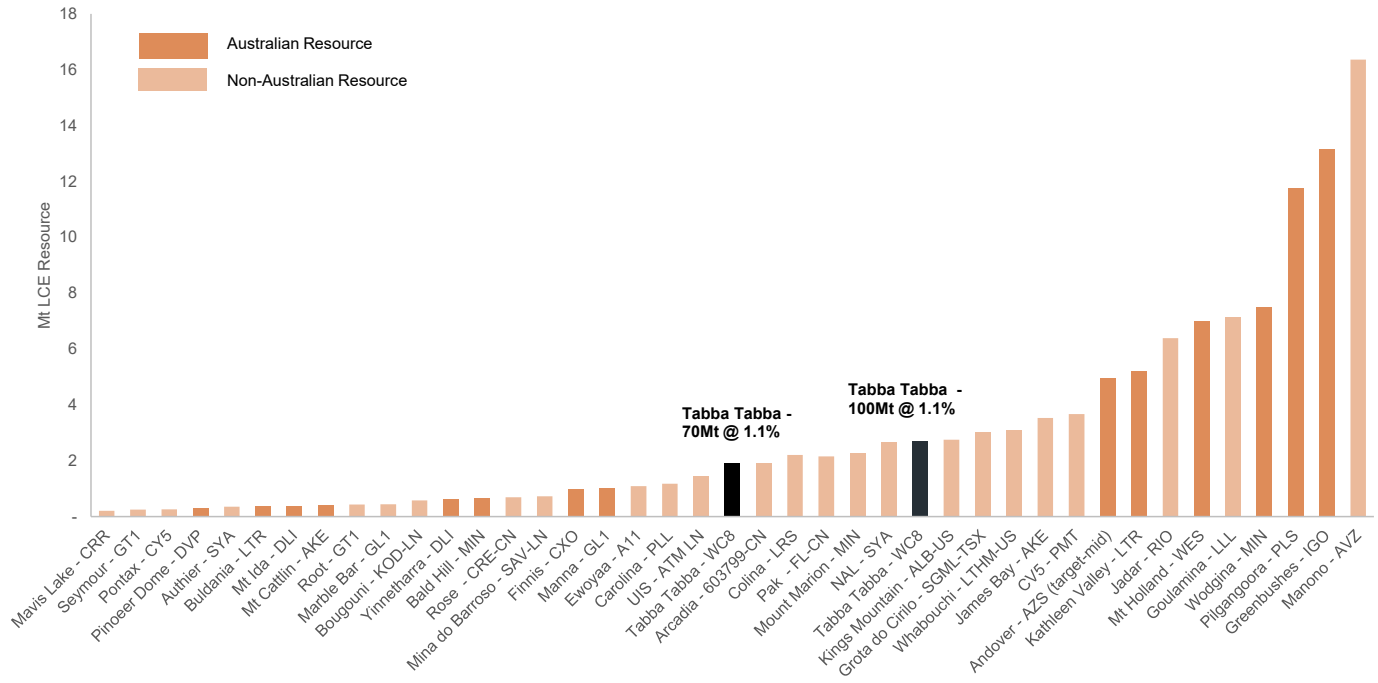
Key Debate #3: How might the M&A backdrop affect WC8?

Four of the six 100Mt+ lithium Resources discovered in Australia in the past decade have been the subject of takeover approaches, with only Pilgangoora (PLS) and Greenbushes (IGO/Tiaqui/ALB-US) not bid for. This suggests to us that if WC8 were to delineate a 100Mt+ Resource (>1% Li2O), it could be viewed as having strategic value. MIN holds 19.9% of the company, but we wouldn't rule out strategic interest from other third parties.

Tabba Tabba in context

If WC8 is able to delineate a 70Mt Resource @ 1.2% Li2O Tabba Tabba it would place it in the top-7 Lithium Resources in Australia in LCE terms. At 100Mt it would become the 15th largest spodumene Resource globally.

Figure 29: Tabba Tabba size relative to global spodumene Resources



Source: Company data, Barrenjoey Research

Note: Andover Resource based on mid-point of published Resource Target of 100-240Mt @ 1-1.5% Li2O

The history of Australian spodumene deposits of this scale indicates a likelihood of strategic interest; of the six spodumene Resources in Australia above 100Mt, only Pilgangoora and Greenbushes have not been the subject of an on-market bid - Greenbushes was bought out of administration in 2007 by Talison (Albemarle/Tianqui) and Pilgangoora was purchased in 2014 by Pilbara Minerals with a Resource of only 8.6Mt.

Figure 30: Major Australian spodumene projects M&A history

Company	Project	Current Resource (Mt)	Grade (%)	Comments
Pilbara Minerals	Pilgangoora	414	1.15%	Acquired in 2014 from GAM with a lithium Resource of 8.6Mt @ 1% No subsequent bids
IGO/Tianqi/Albemarle	Greenbushes	347	1.53%	Talison (Albemarle/Tianqi) acquired from Sons of Gwalia in 2007 IGO acquired 25% stake in Talison in 2020
Albemarle/ Mineral Resources	Wodgina	259	1.17%	Acquired from GAM by Mineral Resources in 2014 50% stake sold to Albemarle in 2018
SQM/Wesfarmers	Mt Holland	189	1.50%	SQM acquired a 50% stake from Kidman in 2017
Liontown	Kathleen Valley	156	1.35%	Bid from Albemarle in 2023
Azure Minerals	Andover	150	1.25%	Bid from SQM and Hancock in 2023

Source: Company Reports, Barrenjoey Research

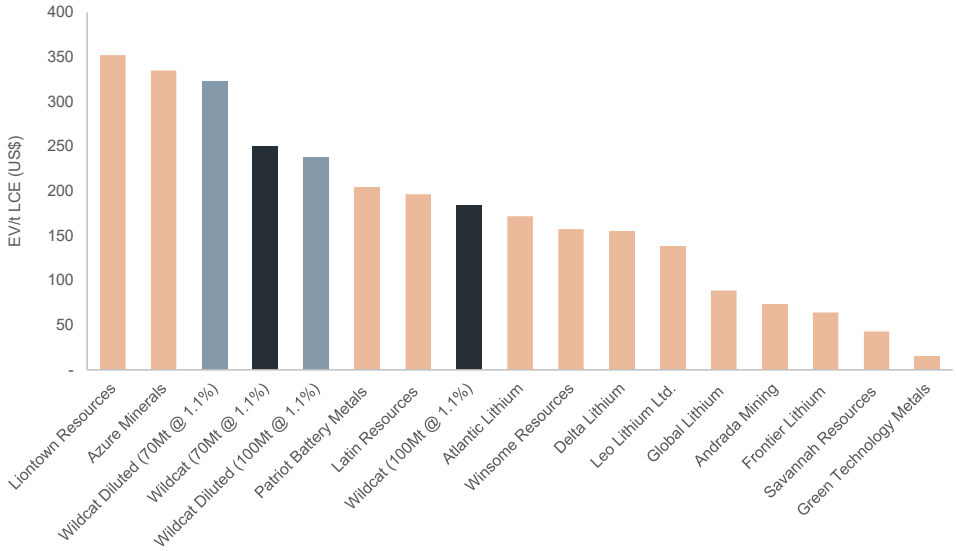
EV/Resource comps

We don't view EV/Resource comps as a particularly useful way of valuing greenfield pre-production spodumene explorers given the wide range in valuations driven by stocks pregnant with Resources upgrades, variation in timelines, as well as different stages of development and funding.

But it does provide some guidelines for relative value and our analysis of EV/Resource comps for global Greenfield lithium developments implies that:

- The current average EV/Resource valuation of US$173/t LCE.
- Assuming a 100Mt Resource, WC8 trades on an EV/Resource multiple of US$184/t LCE, which lifts to US$238/t on a fully diluted basis (relevant in a takeover scenario as performance shares are accelerated).
- An EV/Resource premium is associated with both size and grade of the underlying deposit.
- Wildcat seemingly would trade at a premium to other explorers with large Resource endowments (Patriot/Latin) if its maiden Resource was 70Mt, or at a discount on an undiluted basis if its maiden Resource was 100Mt.

Figure 31: Greenfield development projects EV/Resource comps (US$/t LCE)



Source: Company data, Barrenjoey Research

Note: Azure EV/Resource based on mid-point of exploration target 100-240Mt @ 1.0-1.5% Li2O. Resources in key development project included – i.e. GL1 Manna, DLI Yinnetharra etc.

Does Mineral Resources hold a blocking stake?

In October 2023 Mineral Resources (MIN) acquired GAM's 15% stake in Wildcat for A$159m, ultimately taking its stake to 19.9% through on-market purchases and taking up its pro-rata in the A$100m November capital raising.

While MIN's stake does reduce the likelihood of a third party entering a competitive bidding process for WC8, it doesn't necessarily rule it out, in our view. Based on WC8's, current market cap, MIN would need to come up with another ~$900m before development expenses, which may not be a priority given the B* forecast Jun-24 Net debt of A$4.7bn for MIN (3.5x ND/EBITDA).

Valuation

Our $0.80 Price Target is underpinned by our NPV of the Tabba Tabba project, based on our theoretical development model that assumes a 3Mtpa throughput operation with an average head-grade of 1.2% over 20 years, commencing in 2028 and producing a 5.5% Li2O spodumene concentrate. We run a long-run real spodumene concentrate prices of US$1,500/t (based on benchmark 6% Li2O). We apply a 12% WACC based on a risk-free rate of 4.0%, an equity beta of 1.45 and an equity risk premium of 5.5%. Our valuation assumes the project development capital is financed 40% with debt and 60% equity, with the capital raised in line with NPV at $0.60ps. We apply a 30% premium to reach our Price Target ($0.80, rounded) to account for expansion potential beyond 3Mtpa and/or early high-grade feed, noting our upside case of 5Mtpa throughput generates a $0.98ps NPV.

Figure 32: WC8 Valuation Summary

	A$	Per share	Post-finance per share
Tabba Tabba NPV (Dec 24)	779	0.65	0.34
SG&A cost (inc. exploration & studies)	(114)	(0.10)	(0.05)
Closure provision	(10)	(0.01)	(0.00)
Net (debt)/cash (Dec 24)	58	0.05	0.31
WC8 NAV	**712**	**0.60**	**0.60**
30% Premium (expansion upside)			**0.78**

Source: Barrenjoey Research estimates

Downside risks to Price Target

- Exploration risk: WC8 expects to deliver its maiden Resource at Tabba Tabba in the second half of CY24. Based on EV/Resource comps in Figure 31, we believe the market would disappointed with a result of less than 70Mt @ 1.1% Li2O.
- Permitting risk: While Tabba Tabba sits on a mining lease, the company must still gain a number of approvals including the completion of an EIA to be approved by the Minister for Environment. The tenements are pre-native title, so negotiations/agreements with the Nyamal people may be needed.
- Capex and opex risk: Our valuation is based on our theoretical development model which uses recent regional benchmarks for capital and operating costs. These could differ from our assumptions and present risk to our valuation.
- Financing risk: We assume Tabba Tabba is financed with 40% debt, the price and timing of both debt and equity finance has the potential to influence the value of the company.

Upside risks to Price Target

- Exploration: The potential for Leia to continue to thicken to the East, or for repeating stacked pegmatites could significantly increase the Resource above 100Mt and the market's current expectation.
- Lithium prices: We model long-term spodumene concentrate prices of US$1,500/t (6% Li2O). Cyclical moves in lithium prices above this level have the potential to influence our valuation.
- Development scope: We base our valuation on an initial 3Mtpa throughput operation, we believe a Resource >100Mt could ultimately justify a 5Mtpa operation, pending economic constraints on mining.

Delta Lithium (N, PT: $0.30)

We initiate on DLI with a Neutral rating and a $0.30 Price Target. DLI's investment case revolves around exploration success at its prospective Yinnetharra project. It has delivered a maiden Resource of 25.7Mt @ 1.0% Li2O, but will need to expand the Resource and/or lift grades to deliver a financeable project, in our view. Our valuation assumes a pathway to a 2Mtpa (mill feed) operation materialises in the next 12 months. However, to materially grow the value of the business, in our view more tonnes, ideally with higher grades, are needed.

Well funded to uncover Yinnetharra's potential….

DLI had cash of A$116m in Dec-24, following a A$70m capital raise at a 44% premium to its current share price in December, underwritten by its major shareholder Mineral Resources (MIN). These funds will enable a significant expansion of exploration activity across the Yinnetharra tenements where the company has identified multiple outcropping LCT pegmatites. The Jamesons prospect 20km to the East of the existing Resource at Malinda is the most promising next target awaiting heritage clearance. Drilling is expected to commence in JQ24. Calypso East and Malinda South will follow once heritage clearance is completed.

…but it still needs scale and grade

Inflation in the WA mining industry has squeezed the economics of all development projects, but smaller-scale, single asset developments in particular. We assume the Yinnetharra Resource ultimately expands enough support a 2Mtpa throughput operation (@ 1.1% Li2O) over 15 years, but we struggle to see value upside in the absence of significantly higher volumes (Resource/throughput) or higher grades at our US$1,500/t long-run price for spodumene concentrate. Our valuation accounts for all exploration, feasibility and corporate costs and we use recent empirical benchmarks for opex and capex (driven by total funding costs). The economics, however, are highly sensitive to grade and volume improvements – a 20-year mine life with 1.2% feed grade would almost triple our Yinnetharra NPV to $0.59ps from our $0.20 base case.

Mt Ida – way forward unclear

Mt Ida was originally touted as a quick-to-market DSO operation, but with market conditions ruling out DSO and capex on ~1Mtpa throughput development likely ~A$300m+, we don't expect management to push ahead with feasibility work on a stand-alone development.

Min Res and Hancock a double-edged sword

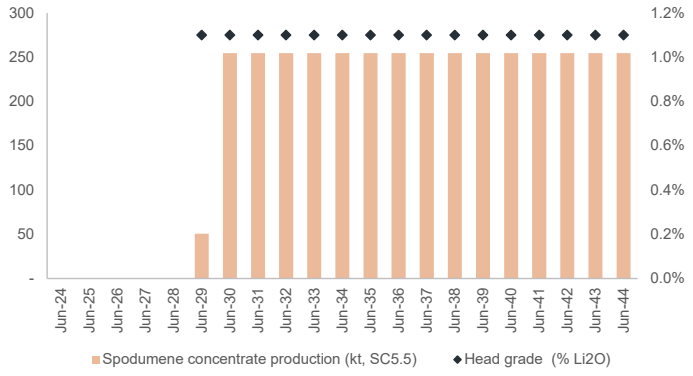
Mineral Resources holds 23.1% of DLI and two of the six board seats, including its CEO Chris Ellison as Chair. It brings development experience in the lithium space and potentially access to capital down the road. In conjunction with Hancock's 12.1% holding, it also potentially may dissuade third-party strategic interest in funding DLI. Other conflicts could emerge, but for us the most relevant would be if MIN's capital allocation priorities did not align with those of DLI shareholders, i.e., the potential incentive to push out FID at Yinnetharra.

Value still crystallising

Our $0.30 Price Target is underpinned by a theoretical NPV on the Yinnetharra project ($0.20ps), based on a 2Mtpa throughput operation. We value Mt Ida at its Jun-23 book value ($0.08ps). DLI is still an early-stage exploration company and its valuation has a wide range of potential outcomes, which in the near term will be best informed by exploration success (or otherwise) at Yinnetharra.

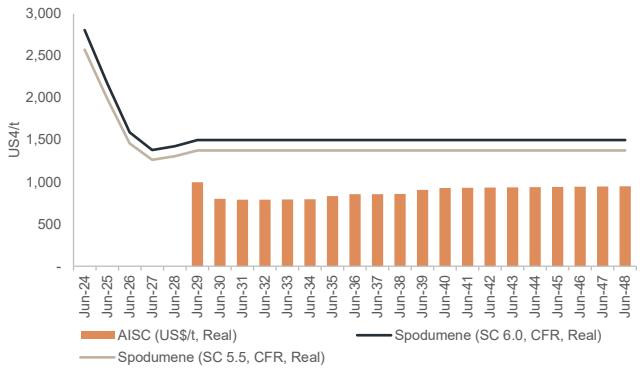
Development model and valuation charts

Figure 33: Yinnetharra head grade (% Li2O) and spodumene concentrate production (5.5% Li2O)



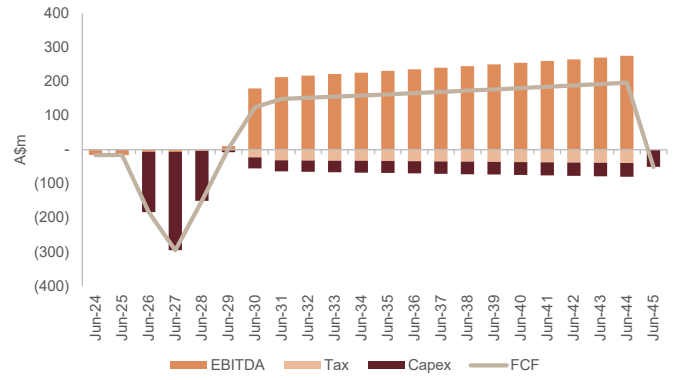
Source: Barrenjoey Research estimates

Figure 34: Yinnetharra All-in Sustaining costs (US$/t, Real) and benchmark spodumene con. price (US$/t, SC 6.0)



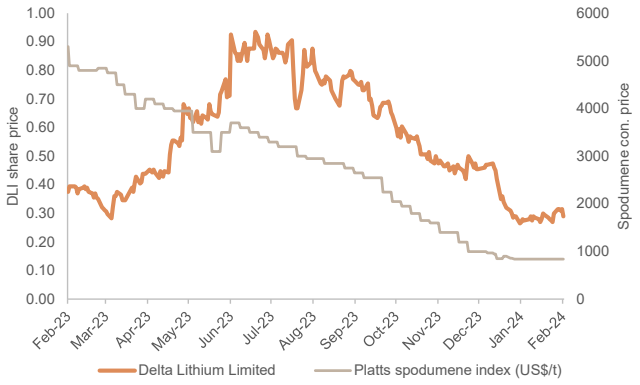
Source: Barrenjoey Research estimates

Figure 35: Free cash flow deconstructed (A$m)



Source: Barrenjoey Research estimates

Figure 36: DLI share price vs. Platts spodumene index



Source: FactSet, Platts

Figure 37: Senstivity analysis: Yinnetharra 2Mtpa model NPV per share at varying spodumene concentrate prices and WACCs

	8%	10%	12%	14%
1,000	-0.62	-0.62	-0.62	-0.61
1,250	-0.02	-0.13	-0.21	-0.27
1,500	0.58	0.36	**0.20**	0.07
1,750	1.19	0.86	0.60	0.41
2,000	1.79	1.35	1.01	0.75

Source: Barrenjoey Research estimates

Note: Yinnetharra project only excl. Corp overheads, Closure provision and cash

Figure 38: Sensitivity analysis: Yinnetharra 2Mtpa model NPV per share at varying capital intensities (A$/t mill feed) and head grades (% Li2O)

	1.0%	1.1%	1.2%	1.3%
A$200/t	-0.62	-0.62	-0.62	-0.61
A$230/t	-0.02	-0.13	-0.21	-0.27
A$265/t	0.58	0.36	**0.20**	0.07
A$300/t	1.19	0.86	0.60	0.41
A$330/t	1.79	1.35	1.01	0.75

Source: Barrenjoey Research estimates

Key debate #1: Will Yinnetharra become a mine?

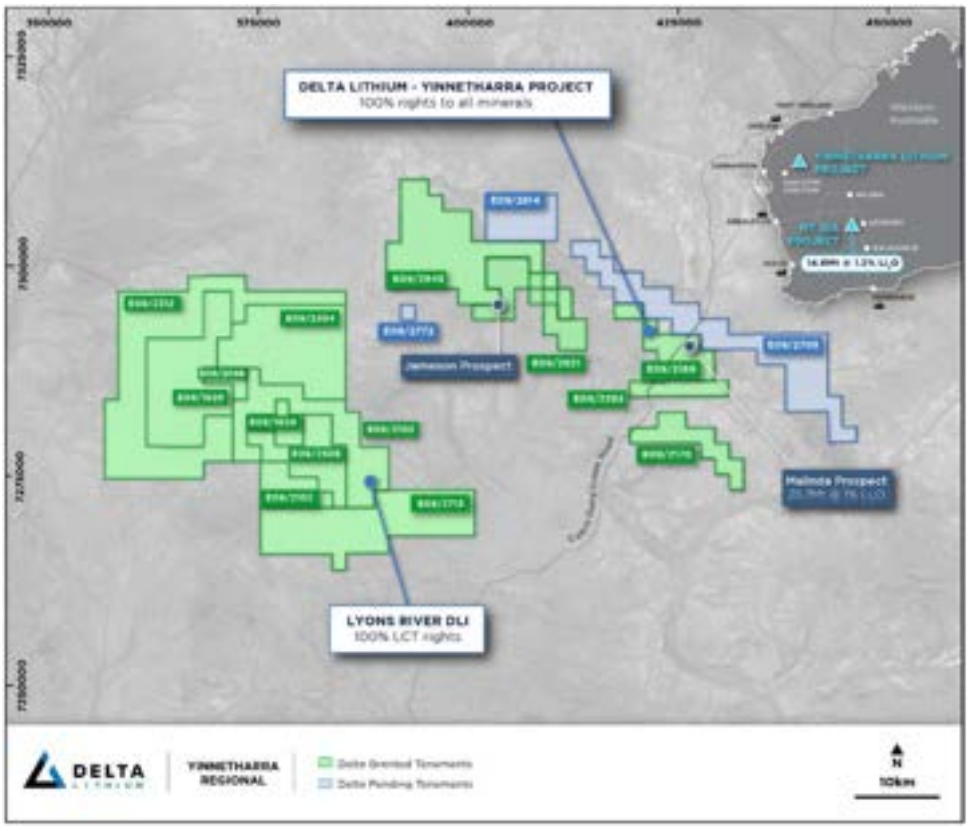
Yinnetharra's maiden Resource of 25.7Mt @ 1.0% Li2O reflects only the first phase of exploration at Malinda. Given its early stage of development, well-funded exploration plans and prospectivity of the Jameson prospect in particular, we believe Yinnetharra will ultimately become a mine. We assume a 2Mtpa throughput operation delivering 1.1% Li2O mill feed over 12 years, commencing in H2 CY28. Demonstrating the potential to deliver a longer mine life (or support a larger project) and lift grade, particularly in the early years, will be the critical value drivers for us.

Project History and Overview

DLI acquired the Yinnetharra project from Electrostate Pty Ltd in September 2022 for $15m in shares, plus $10m in deferred consideration based on a >15Mt Resource (@0.9% Li2O) and 2.67m options with a 75c strike.

The Yinnetharra Lithium Project is located approximately 120km northeast of Gascoyne Junction and comprises tenements spanning 520km^2. DLI has identified over 50 pegmatite outcroppings, with the two main target areas being the Malinda prospect and the Jamesons prospect. From DQ23 DLI plans to have eight rigs on site to expedite Resource definition at Jamesons following the delivery of a maiden Resource at Malinda at the end of 2023. On 1 December, DLI purchased the LCT Mineral rights for the Lyons River Project from Dalaroo. Lyons River lies directly to the West of Yinnetharra and contains known pegmatites that are believed to be LCT fertile.

Figure 39: Yinnetharra Project tenements



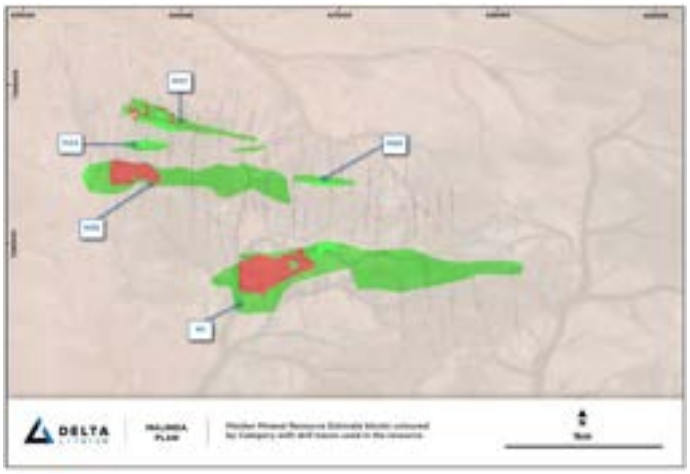
Source: Company reports

Malinda prospect

The Malinda prospect has been the focus of the 2023 drilling campaign and a maiden 25.7Mt @ 1.0% Li2O Resource was announced in December (including 6.7Mt @ 1,0% in the Indicated category). The Resource spans five discrete pegmatites – M1, M36, M42, M47 and M69 – with the largest Resource (M1) spanning ~2km in length and containing 62% of the delineated Resource. The pegmatites pinch and swell along folded stratigraphy, with the

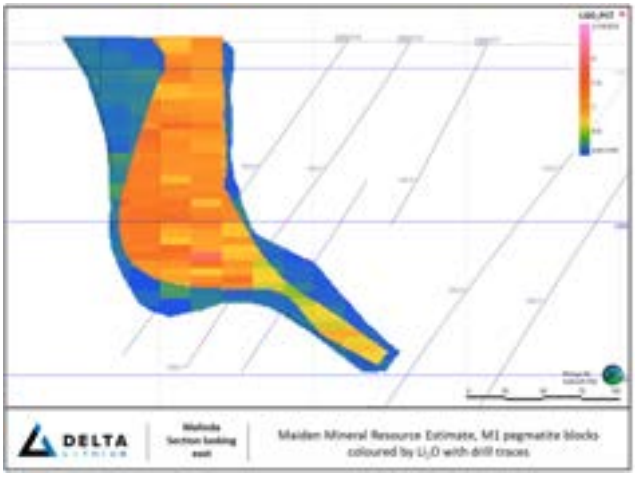
highest-grade material occurring in the thickest parts of the pegmatites. Malinda looks amenable to open pit mining, with mineralisation protruding at surface and thickening at a depth of ~100m.

Figure 40: Malinda prospect plan view



Source: Company reports

Figure 41: Malinda prospect, M1 Pegmatite cross-section



Source: Company reports

Extensional drilling will continue at Malinda in 2024, while also infill drilling and commencing engineering, metallurgical and geotechnical studies to enable a fast transition into a scoping/feasibility study.

Jamesons

More than 20 pegmatites have been identified at Jamesons, a number of which are known to be spodumene bearing. Jamesons sits 20km to the west of the Malinda Resource. DLI is awaiting heritage clearance to drill at Jamesons, with surveys expected to commence in early 2024.

Lyons River

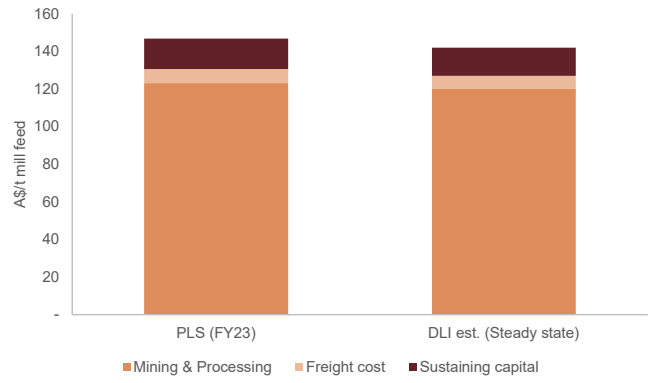
On 1 December 2023, DLI acquired the LCT (lithium, caesium and tantalum) mineral rights for the Lyons River project from Dalaroo for $500k in cash and $500k in shares. Lyons River covers 838km^2 directly to the West of Yinnetharra and has known pegmatites that are believed to be LCT fertile. The Lyons River Project hosts the same geological setting as Yinnetharra, with pegmatites hosted within sedimentary-mafic packages.

Theoretical development model and valuation

With an existing 25.7Mt @ 1.0% Resource, $116m in the bank and planned 150,000m exploration programme across Jamesons, Lyons River and Malinda, we believe it is likely that a pathway for development at Yinnetharra emerges over the next 12 months. However, in our view it will still require a material uplift in volume and/or grade in order to deliver a project that is palatable to be funded by equity, particularly given the current market conditions. Our base case valuation for Yinnetharra is based on a theoretical development model using the following assumptions:

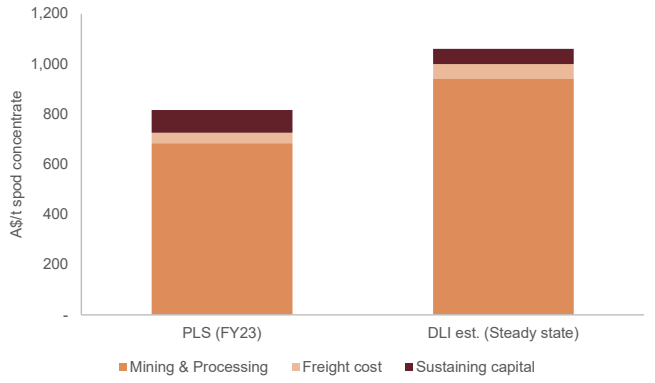
- Reserves of 30.0Mt @ 1.0% Li2O.
- A 2Mtpa throughput processing facility, assuming DMS, flotation, magnetic separation and including ore sorting at the front end, upgrading head grade feed to 1.1% Li2O.
- FID in 2H26 and production commencing in 2H28.
- Recovery ramp-up over 12m from 50% to 70%, producing a 5.5% Li2O product.
- Project capex at FID of A$530m (Real), implying capital intensity of A$265/t including working capital and finance costs. We model total project spend of $740m (Real), which includes exploration, feasibility and corporate costs from now until to the point of commercial production. Our combined funding intensity is A$375/t throughput, a ~15% discount to recent developments Kathleen Valley and Finniss – benchmarking details are provided in Figure 26: Capital and funding intensities of Greenfield lithium development comps.
- Steady-state All-in Sustaining costs of US$895 per tonne of 5.5% Li2O concentrate (Real), comprising; Mining costs of A$70/t mill feed, A$50/t Mill Feed, A$55/t Logistics costs (FOB), 5% Royalty, G&A costs of A$4/t mill feed. Our operating cost estimates are crudely benchmarked on Pilgangoora with +10% in unit mining, processing and logistics costs reflecting its scale, proximity and ultimately the uncertainty around key mining and metallurgical inputs.

Figure 42: Pilgangoora FY23 vs. Yinnetharra modelled steady state unit costs (A$/t mill feed) excluding royalty and SG&A



Source: Company data, Barrenjoey Research

Figure 43: Pilgangoora FY23 vs. Yinnetharra moelled steady state unit costs (A$/t spodumene con.) excluding royalty and SG&A

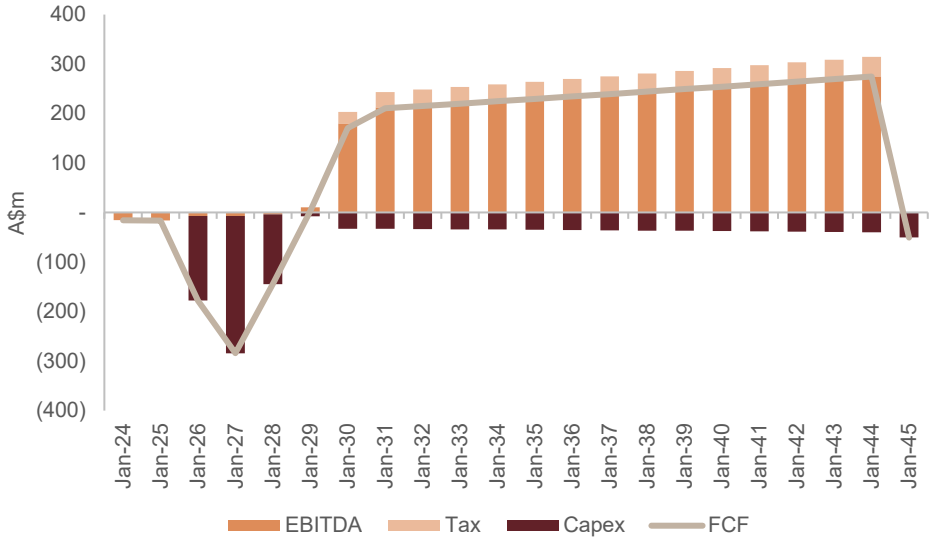


Source: Company data, Barrenjoey Research

Our model generates the following outputs:

- Group NPV (Jun-24) of A$191m applying a 12% WACC. Project IRR (Post FID) of 17%.
- Life of mine average annual EBITDA (Real) of A$160m and FCF $109m, based on our LR spodumene concentrate price of US$1,500/t (SC6).

Figure 44: Yinnetharra theoretical development model cash flows (2Mtpa)



Source: Company data, Barrenjoey Research

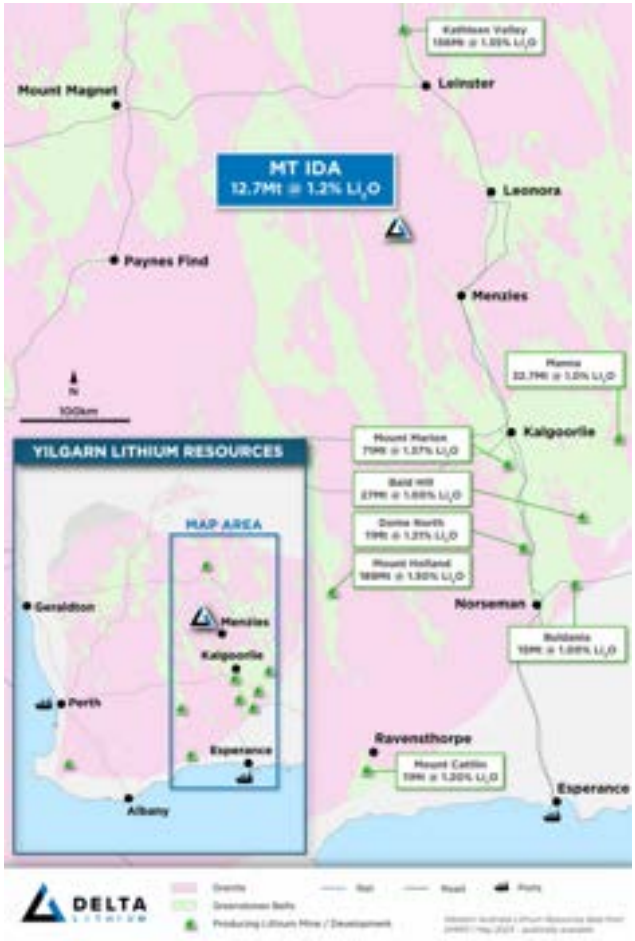
Key debate #2: Will DLI seek to develop Mt Ida?

We believe it is unlikely in the near term. In the absence of a significant upturn in lithium prices or regional exploration success, we do not think a small-scale underground operation at 1.2% Li2O will attract finance, nor will it take development priority over Yinnetharra. Mt Ida was originally touted as a quick-to-market DSO operation, but with market conditions ruling out DSO and capex on ~1Mtpa throughput development likely ~A$300m+, we don't expect management to push ahead with feasibility work on a stand-alone development.

Project overview

The Mount Ida project sits approximately 250km North West of Kalgoorlie in the WA Goldfields and contains a Resource of 14.6Mt at 1.2% Li2O, outlined in October 2023. It also contains a 412koz gold Resource @ 4.1g/t.

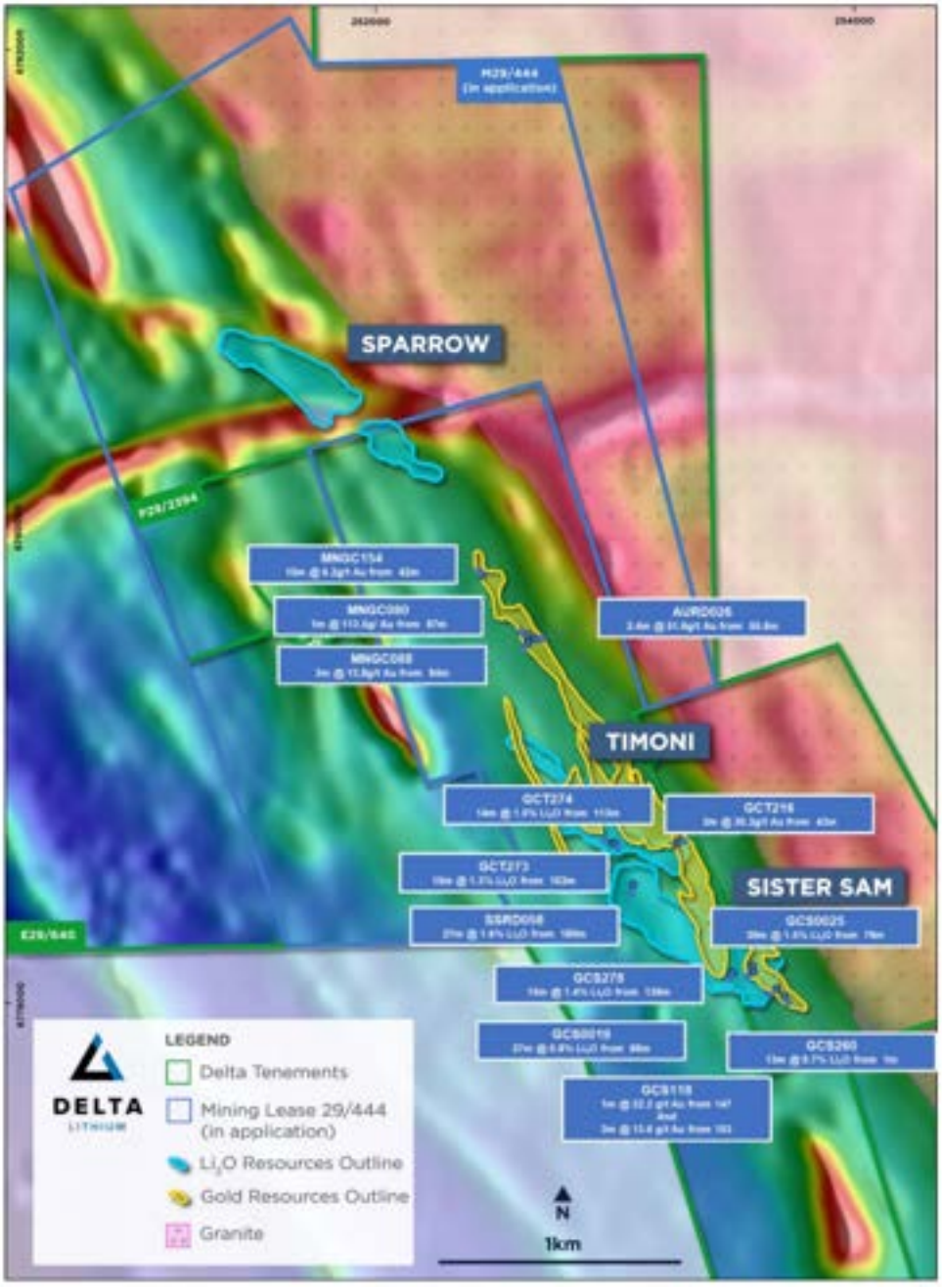
Figure 45: Mount Ida location map



Source: Company data

The existing lithium Resources at Mt Ida appears to be best suited to a predominantly underground operation, with the lithium occurring in pegmatite intrusions with widths up to ~20m thick and with thicker and higher-grade intercepts occurring at depth – i.e. 27m @ 1.6% Li2O from 575m.

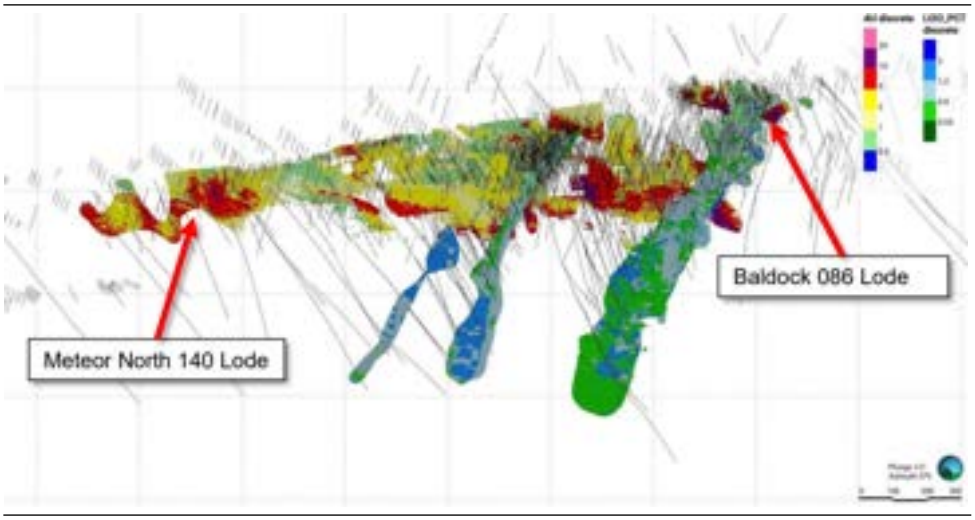
Figure 46: Mt Ida project plan view outlining key intercepts



Source: Company data, Barrenjoey Research

The majority (68%) of the Resource at Mount Ida sits in the Sister Sam area, which is showing potential for growth with in-fill drilling - the company announced on 15 February 2024 that an additional pegmatite mineralised from surface had been discovered at Sister Sam. Additional regional pegmatites have also been identified, including 'Long John', which has a LCT pegmatites over a 500m strike.

Figure 47: Oblique 3D view of lithium and gold Resources at Mt Ida



Source: Company data

Theoretical development

DLI's initial plan for the project was to fast-track DSO production, ahead of construction of a full processing facility to produce a spodumene concentrate. In line with this fast-track strategy, drilling to date has focused on increasing confidence, with the October Resource update bringing 7.6Mt into the Indicated category. Environmental baseline studies, water exploration and other long-lead time work commenced in FY23 with this fast-tracking objective in mind. However, weakness in the spodumene concentrate market and evaporation of the DSO market may have rendered this plan irrelevant.

At this stage, we do not believe Mt Ida has the scale to justify development of a processing facility to produce a spodumene concentrate. Running a high-level theoretical model with a 1Mtpa throughput delivers a negative NPV at the corporate level (Dec-24, 12% WACC), based on the assumptions outlined in Figure 48 below.

Figure 48: Mt Ida – key model assumptions

Exploration and studies (A$m)	100
Capital intensity (A$/t mill feed)	250
Studies and drilling (A$m)	100
Corporate (A$pa)	8
Mine life (years)	15
Throughput (Mtpa)	1.0
Grade (% Li2O)	1.2%
Recovery (%)	70%
Product grade (% Li2O)	5.5%
AISC (A$/t spod con.) – Underground operation	1200
Spodumene concentrate price (US$/t SC6.0)	1500
WACC (%)	12.0%
AUD/USD	0.75

Source: Company data, Barrenjoey Research estimates

Key debate #3: Does Mineral Resources influence help or hinder minority shareholders?

With MIN founder and CEO Chris Ellison and its Lithium CEO Josh Thurlow holding two of the six board seats (inc. chairman), MIN's influence is material. MIN brings lithium development expertise and access to capital, which have the potential to expedite and de-risk funding and development at Yinnetharra. But the latter will come on MIN's terms and also potentially could dissuade third-party interest. Potentially, there could be a conflict of interest, e.g., if MIN had capital allocation priorities that did not mirror the timeframe of DLI shareholders.

Shareholder structure

On 12 September 2023, Chris Ellison (CEO of Mineral Resources) and Josh Thurlow (CEO – Lithium, at Mineral Resources) were appointed Chairman and Non-Executive directors of the board of DLI, following the acquisition of 17.4% of the company by Mineral Resources on 22 August. James Croser was appointed interim CEO at the same time.

The current share register is as follows:

- **Mineral Resources (MIN) 23.1%.** MIN lifted its stake from 19.3% in December following the completion of an Accelerated Non-Renounceable Rights Offering (ANREO), where it underwrote the shortfall in demand. This enabled MIN to lift its stake above the 20% threshold, without launching a takeover offer for DLI, although in January it lodged a reduction in its substantial shareholding to 23.1% (from 24.3%).
- **Idemitsu 11.4%.** Did not participate in the December ANREO, reducing its effective interest to 11.4% (from 12.5%).
- **Warratah 10.6%.** Did not participate in the December ANREO, reducing its effective interest to 10.6% (from 11.6%).
- **Hancock Prospecting 12.1%.** Lifted its holding to 12.1% (from 7.0%) on the 24 November.

We see the following advantages from this concentrated register and in particular, the holdings of MIN and Hancock:

- **Access to capital:** This benefit has already played out, with MIN underwriting the A$70m ANREO at $0.46, a ~50% premium to the current share price. FID will ultimately determine how beneficial this potential access is, but it is worth noting that both Warratah and Idemitsu did not participate in the December ANREO.
- **Access to expertise:** MIN has experience in designing, constructing and ramping up lithium projects in Australia with both Mount Marion and Wodgina. It also provides access to a solutions provider for crushing, logistics, approvals processes and project design.

However, there are also potential negatives associated with MIN's level of control:

- **Bid premium reduced:** With both MIN and Hancock on the register, the corporate appeal of DLI is diminished. Existing strategic investor Idemitsu has already reduced its holding by not participating in the December ANREO.
- **Conflicts of interest:** In our view, these principally revolve around timing – if Yinnetharra ends up a low priority within MIN's internal capital allocation, could this have a knock-on effect to DLI? We are less concerned with arms-length transactions regarding service provisions to the mine (crushing, EPCM etc) and even pricing of equity issuance, which would have clearer processes around tendering.

Valuation

Our $0.30 Price Target is underpinned by our NPV of the Yinnetharra project (rounded), based on our theoretical development model, which assumes a 2Mtpa throughput operation with an average head-grade of 1.1% over 15 years, commencing in 2028 and producing a 5.5% Li2O spodumene concentrate. We run a long-run real spodumene concentrate price of US$1,500/t (based on benchmark 6% Li2O). We apply a 12% WACC based on a risk-free rate of 4.0%, an equity beta of 1.45 and an equity risk premium of 5.5%. It assumes the project development capital is financed 40% with debt and 60% equity, with the capital raised in line with NPV $0.27ps. We value the Mt Ida project at book value $53.8m as at Jun-23.

Figure 49: DLI Valuation Summary

	A$	Per share	Post-finance per share
Mt Ida valuation (Dec 24)	54	0.08	0.02
Yinnetharra NPV (Dec 24)	141	0.20	0.06
SG&A cost	(63)	(0.09)	(0.03)
Closure provision	(10)	(0.01)	(0.00)
Net (debt)/cash (Dec 24)	70	0.10	0.22
DLI NAV	**191**	**0.27**	**0.27**

Source: Barrenjoey Research estimates

Downside Risks to Price Target

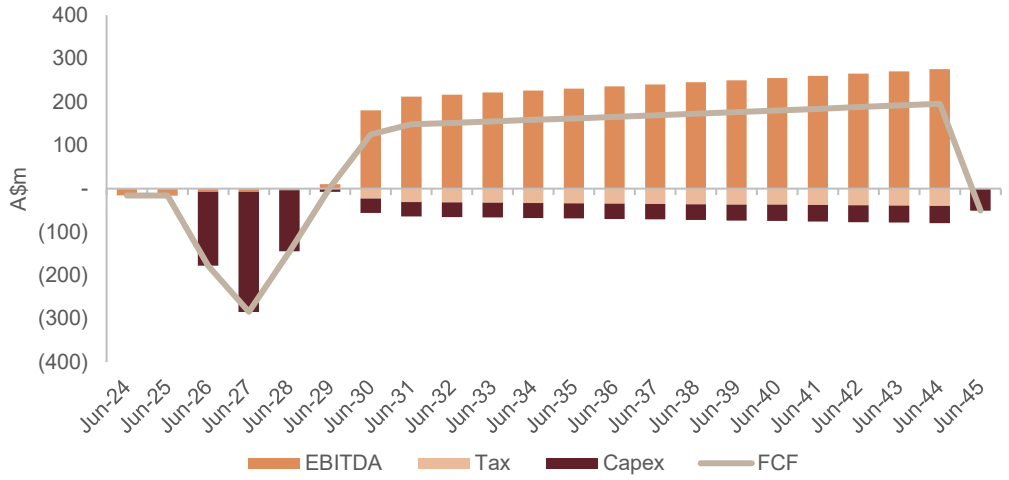
- Exploration risk: We have modelled a 2Mtpa operation at Yinnetharra over 15 years that will require further exploration success to be achieved. Failure to bring 30Mt into Reserves (vs. 25.7Mt Resource) poses a risk to our forecasts.
- Capex and opex risk: Our valuation is based on our theoretical development model which uses recent regional benchmarks for capital and operating costs. These could differ from our assumptions and present risk to our valuation.
- Financing risk: We assume Yinnetharra is financed with 40% debt, the price and timing of both debt and equity finance has the potential to influence the value of the company.

Upside risks to Price Target

- Exploration: DLI is well funded and has four drill rigs operating at Yinnetharra. Exploration success at Jamesons in particular could improve our modelled project economics in terms of development scope and/or grade.
- Lithium prices: We model long-term spodumene concentrate prices of US$1,500/t (6% Li2O). Cyclical moves in lithium prices above this level have the potential to influence our valuation.

Delta Lithium Limited

Free cash flow breakdown (A$m)



Key debates

What could impact the share price?

1. **Will Yinnetharra become a mine?** Yinnetharra's maiden Resource of 25.7Mt @ 1.0% Li2O reflects only the first phase of exploration at Malinda. Given its early stage of development, well-funded exploration plans and prospectivity of the Jameson project in particular, we believe Yinnetharra will ultimately become a mine.

2. **Will DLI seek to develop Mt Ida?** We believe it is unlikely in the near term. In the absence of a significant upturn in lithium prices or regional exploration success, it seems unlikely to us that a small-scale underground operation at 1.2% Li2O would attract finance, or take development priority over Yinnetharra.

3. **Does Mineral Resources effective control help or hinder minority shareholders?** With MIN founder and CEO Chris Ellison and its Lithium CEO Josh Thurlow holding two of the six board seats (inc. Chairman), MIN's influence is material this brings positive attributes but potentially, conflicts of interest could arise.

Our view

NEUTRAL

Price performance (A$)

B* Scenarios		Upside/ Downside to share price
Upside	$1.10	249%
Price Target	$0.30	-5%
Downside	$0.00	-100%

2:1

Upside to Downside skew vs share price

Source: Barrenjoey Research estimates, FactSet.

Scenarios

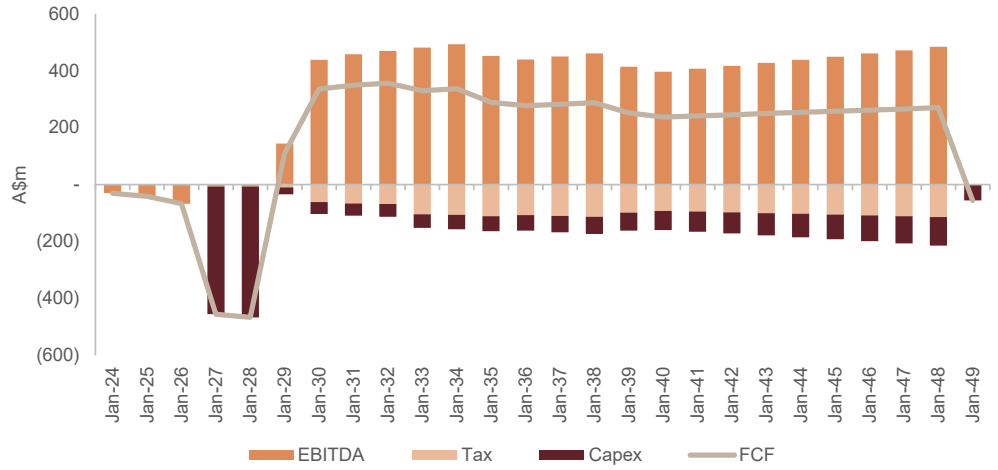
- **Upside scenario | A$1.10 |** In our upside scenario we assume a 2Mtpa operation at Yinnetharra and apply a long-run spodumene concentrate price of US$2,000/t (SC6).
- **Price Target | A$0.30 |** In our base case was assume a 2Mtpa throughput operation at Yinetharra over 15 years and apply a US$1,500/t long-run spodumene concentrate price (SC6).
- **Downside scenario | A$0.00 |** In our downside scenario we assume a 2Mtpa operation at Yinnetharra and apply a long-run spodumene concentrate price of US$1,250/t (SC6).

Income Statement (A$m)	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E	FY28E	CAGR
Total revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n/a
EBITDAX	(8.1)	(9.6)	(15.5)	(16.0)	(7.0)	(7.0)	(3.5)	(181.6%)
EBITDA	(8.1)	(9.6)	(15.5)	(16.0)	(7.0)	(7.0)	(3.5)	(181.6%)
EBIT	(8.1)	(9.8)	(15.5)	(16.0)	(7.0)	(7.0)	(3.5)	(181.5%)
PBT	(8.1)	(8.5)	(15.3)	(16.0)	(7.0)	(24.3)	(20.8)	(219.5%)
NPAT (reported)	(8.1)	(8.5)	(15.3)	(16.0)	(7.0)	(24.3)	(20.8)	(219.5%)
NPAT (underlying)	(8.1)	(8.5)	(15.3)	(16.0)	(7.0)	(24.3)	(20.8)	(219.5%)
Margin & return data (%)	**FY22A**	**FY23A**	**FY24E**	**FY25E**	**FY26E**	**FY27E**	**FY28E**	**Average**
ROA	(12.1%)	(4.4%)	(6.4%)	(7.2%)	(0.7%)	(2.7%)	(2.3%)	(4.0%)
ROE	(13.4%)	(4.9%)	(6.8%)	(7.6%)	(1.1%)	(4.0%)	(3.5%)	(4.7%)
Balance Sheet (A$m)	**FY22A**	**FY23A**	**FY24E**	**FY25E**	**FY26E**	**FY27E**	**FY28E**	**Average**
Cash & equivalents	23.4	84.3	103.1	43.5	546.3	234.0	66.5	179.6
PPE	1.2	1.2	1.2	1.2	177.3	465.3	612.1	209.7
Total assets	66.9	194.6	239.1	223.1	934.9	910.6	889.3	565.2
Short & long-term debt	0.2	0.1	0.1	0.1	287.9	287.9	287.9	144.0
Total liabilities	6.6	20.3	13.8	13.8	300.9	300.9	300.3	158.3
Net debt	(23.1)	(84.2)	(103.0)	(43.4)	(258.4)	53.9	221.4	(35.6)
Total equity	60.4	174.3	225.2	209.2	634.0	609.7	588.9	406.9
Cashflow (A$m)	**FY22A**	**FY23A**	**FY24E**	**FY25E**	**FY26E**	**FY27E**	**FY28E**	**CAGR**
Operating cashflow	(1.2)	(4.4)	(20.6)	(16.0)	(7.0)	(24.3)	(20.8)	36.7%
Capital expenditure	0.0	0.0	(26.8)	(33.6)	(166.1)	(265.0)	(132.5)	n/a
Investing cashflow	(23.2)	(34.0)	(53.6)	(77.2)	(199.7)	(265.0)	(132.5)	31.3%
Dividends paid	-	-	-	-	-	-	-	n/a
Financing cashflow	47.1	99.5	66.2	0.0	719.5	0.0	0.0	(100.0%)
Free cash flow	(1.2)	(4.4)	(47.4)	(49.6)	(40.6)	(289.3)	(153.3)	103.8%
Financial ratios	**FY22A**	**FY23A**	**FY24E**	**FY25E**	**FY26E**	**FY27E**	**FY28E**	**CAGR**
Per share								
Reported EPS (cps)	(2.6)	(1.6)	(2.1)	(2.2)	(0.5)	(1.0)	(0.9)	(11.2%)
Underlying EPS (cps)	(2.6)	(1.6)	(2.1)	(2.2)	(0.5)	(1.0)	(0.9)	(11.2%)
DPS (cps)	-	-	-	-	-	-	-	n/a
Franking (%)	-	-	-	-	-	-	-	n/a
Wtg avg ord shares (m)	313	442	712	712	1,518	2,324	2,324	39.4%
Wtg avg diluted shares (m)	313	534	743	743	1,549	2,355	2,355	34.5%
Valuation								**Average**
Free cash flow flow yield (%)	(1.0%)	(1.0%)	(20.3%)	(21.2%)	(8.3%)	(39.0%)	(20.7%)	(18.4%)
Dividend yield (%)	-	-	-	-	-	-	-	n/a
Payout ratio (%)	-	-	-	-	-	-	-	n/a
Growth								**Average**
EBIT (%)	n/a	(20.0%)	(58.8%)	n/a	n/a	n/a	50.0%	n/a
Underlying NPAT (%)	n/a	(5.2%)	(79.1%)	(4.6%)	56.2%	(246.6%)	14.4%	(44.1%)
Underlying EPS (%)	n/a	38.5%	(28.7%)	(4.7%)	79.0%	(128.0%)	14.4%	(4.9%)
Liquidity & leverage								**Average**
Gearing (%)	(62.1%)	(93.4%)	(84.2%)	(26.1%)	(68.8%)	8.1%	27.3%	(39.5%)
Net Debt to EBITDA (x)	2.9	8.7	6.6	2.7	36.9	(7.7)	(63.3)	(2.7)

Source: Barrenjoey Research estimates, FactSet
CAGR and Average (asterisk) are calculated using the most recent actual year and five forward years.

Wildcat Resources Ltd

Free cash flow breakdown



Key debates

What could impact the share price?

1. **How big can Tabba Tabba be?** In our view current drilling justifies an exploration target of ~70Mt from the Leia and Chewy pegmatites, but we believe management will target a 100Mt+ maiden resource based on extensions down plunge to the East and with further exploration of the Boba and Han pegmatites.
2. **What size project will WC8 seek to develop?** With a potential 100Mt Resource amenable to open pit mining, we believe Tabba Tabba will comfortably be able to support a ~3Mtpa througput Phase 1, producing ~410ktpa of spodumene concentrate (SC5.5).
3. **How might the M&A backdrop affect WC8?** Four of the six 100Mt+ lithium Resources discovered in Australia in the past decade have been the subject of takeover approaches, with only Pilgangoora (PLS) and Greenbushes (IGO/Tiaqui/ALB-US) not bid for. This suggests to us that if WC8 were to delineate a 100Mt+ Resource (>1% Li2O), it could be viewed as having strategic value.

Our view

Price performance (A$)

Source: Barrenjoey Research estimates, FactSet.

OVERWEIGHT

B* Scenarios		Upside/ Downside to share price
Upside	$2.35	231%
Price Target	**$0.80**	**13%**
Downside	$0.11	-85%

3:1

Upside to Downside skew vs share price

Scenarios

- **Upside scenario | A$2.35 |** In our upside scenario we assume a 3Mtpa operation at Tabba Tabba, which is expanded to 5Mtpa (self funded) and apply a long-run spodumene concentrate price of US$2,000/t (SC6).
- **Price Target | A$0.80 |** In our base case was assume a 3Mtpa throughput operation at Tabba Tabba over 20 years and apply a US$1,500/t long-run spodumene concentrate price (SC6). We also apply a 30% premium for expansion optionality.
- **Downside scenario | A$0.11 |** In our downside scenario we assume a 3Mtpa throughput operations and a US$1,250/t long-run spodumene concentrate price (SC6).

Income Statement (A$m)	FY22A	FY23A	FY24E	FY25E	FY26E	FY27E	FY28E	CAGR
Total revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n/a
EBITDAX	(1.6)	(1.7)	(6.2)	(7.0)	(7.0)	(7.0)	(7.0)	(233.3%)
EBITDA	(1.6)	(1.7)	(30.2)	(41.0)	(67.0)	(7.0)	(7.0)	(233.3%)
EBIT	(1.6)	(1.7)	(30.2)	(41.0)	(67.0)	(7.0)	(7.0)	(232.8%)
PBT	(1.6)	(1.6)	(29.7)	(41.0)	(67.0)	(18.1)	(29.2)	(278.3%)
NPAT (reported)	(1.6)	(1.6)	(29.7)	(41.0)	(67.0)	(18.1)	(29.2)	(278.3%)
NPAT (underlying)	(1.6)	(1.6)	(29.7)	(41.0)	(67.0)	(18.1)	(29.2)	(278.3%)
Margin & return data (%)	**FY22A**	**FY23A**	**FY24E**	**FY25E**	**FY26E**	**FY27E**	**FY28E**	**Average**
ROA	(15.3%)	(10.6%)	(35.7%)	(95.0%)	(85.6%)	(1.8%)	(3.1%)	(38.6%)
ROE	(15.6%)	(16.6%)	(39.4%)	(118.9%)	(99.3%)	(3.0%)	(5.1%)	(47.1%)
Balance Sheet (A$m)	**FY22A**	**FY23A**	**FY24E**	**FY25E**	**FY26E**	**FY27E**	**FY28E**	**Average**
Cash & equivalents	6.1	8.8	77.2	37.0	72.2	527.1	38.9	126.9
PPE	0.0	0.1	0.1	0.1	0.1	447.9	907.0	225.9
Total assets	10.6	15.3	83.3	43.1	78.3	981.0	951.8	358.8
Short & long-term debt	0.0	0.1	0.1	0.1	0.1	370.4	370.4	123.5
Total liabilities	0.2	5.5	7.9	8.7	10.8	376.2	376.2	130.9
Net debt	(6.0)	(8.8)	(77.2)	(37.0)	(72.1)	(156.7)	331.5	(3.4)
Total equity	10.4	9.7	75.5	34.5	67.5	604.8	575.6	227.9
Cashflow (A$m)	**FY22A**	**FY23A**	**FY24E**	**FY25E**	**FY26E**	**FY27E**	**FY28E**	**CAGR**
Operating cashflow	(0.9)	(1.0)	(27.1)	(40.2)	(64.9)	(23.0)	(29.2)	94.9%
Capital expenditure	0.0	0.0	0.0	0.0	0.0	(412.0)	(412.0)	n/a
Investing cashflow	(1.2)	(1.7)	0.0	0.0	0.0	(412.0)	(412.0)	199.5%
Dividends paid	-	-	-	-	-	-	-	n/a
Financing cashflow	5.2	5.6	95.5	0.0	100.0	925.8	0.0	(100.0%)
Free cash flow	(0.9)	(1.0)	(27.1)	(40.2)	(64.9)	(435.0)	(441.2)	235.5%
Financial ratios	**FY22A**	**FY23A**	**FY24E**	**FY25E**	**FY26E**	**FY27E**	**FY28E**	**CAGR**
Per share								
Reported EPS (cps)	(0.2)	(0.2)	(1.9)	(2.9)	(4.3)	(0.7)	(1.2)	43.0%
Underlying EPS (cps)	(0.2)	(0.2)	(1.9)	(2.9)	(4.3)	(0.7)	(1.2)	43.0%
DPS (cps)	-	-	-	-	-	-	-	n/a
Franking (%)	-	-	-	-	-	-	-	n/a
Wtg avg ord shares (m)	594	656	1,196	1,196	1,364	2,297	2,297	28.5%
Wtg avg diluted shares (m)	816	831	1,541	1,407	1,575	2,508	2,508	24.7%
Valuation								**Average**
Free cash flow flow yield (%)	(4.7%)	(1.0%)	(2.5%)	(4.0%)	(5.8%)	(24.4%)	(24.8%)	(10.4%)
Dividend yield (%)	-	-	-	-	-	-	-	n/a
Payout ratio (%)	-	-	-	-	-	-	-	n/a
Growth								**Average**
EBIT (%)	n/a	(4.8%)	n/a	n/a	n/a	n/a	n/a	n/a
Underlying NPAT (%)	n/a	n/a	(1,737.0%)	(37.8%)	(63.4%)	73.0%	(61.3%)	(304.4%)
Underlying EPS (%)	n/a	1.9%	(891.0%)	(51.0%)	(46.0%)	83.0%	(61.3%)	(160.7%)
Liquidity & leverage								**Average**
Gearing (%)	(138.5%)	(894.2%)	4,577.4%	1,474.7%	1,552.7%	(35.0%)	36.5%	1,118.7%
Net Debt to EBITDA (x)	3.8	5.3	2.6	0.9	1.1	22.4	(47.4)	(2.5)

Source: Barrenjoey Research estimates, FactSet
CAGR and Average (asterisk) are calculated using the most recent actual year and five forward years.

Companies Mentioned

Core Lithium Ltd (CXO.AX, A$0.24, UW, PT A$0.10)
Global Lithium Resources (GL1.AX, A$0.59, OW, PT A$1.30)
IGO Limited (IGO.AX, A$7.73, OW, PT A$10.50)
Leo Lithium Ltd. (LLL.AX, A$0.51, OW, PT A$1.80)
Liontown Resources Limited (LTR.AX, A$1.27, UW, PT A$0.90)
Mineral Resources Limited (MIN.AX, A$64.00, OW, PT A$72.00)
Pilbara Minerals Limited (PLS.AX, A$4.10, N, PT A$3.55)

Disclosure appendix

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