

PepinNini Minerals (ASX: PNN)

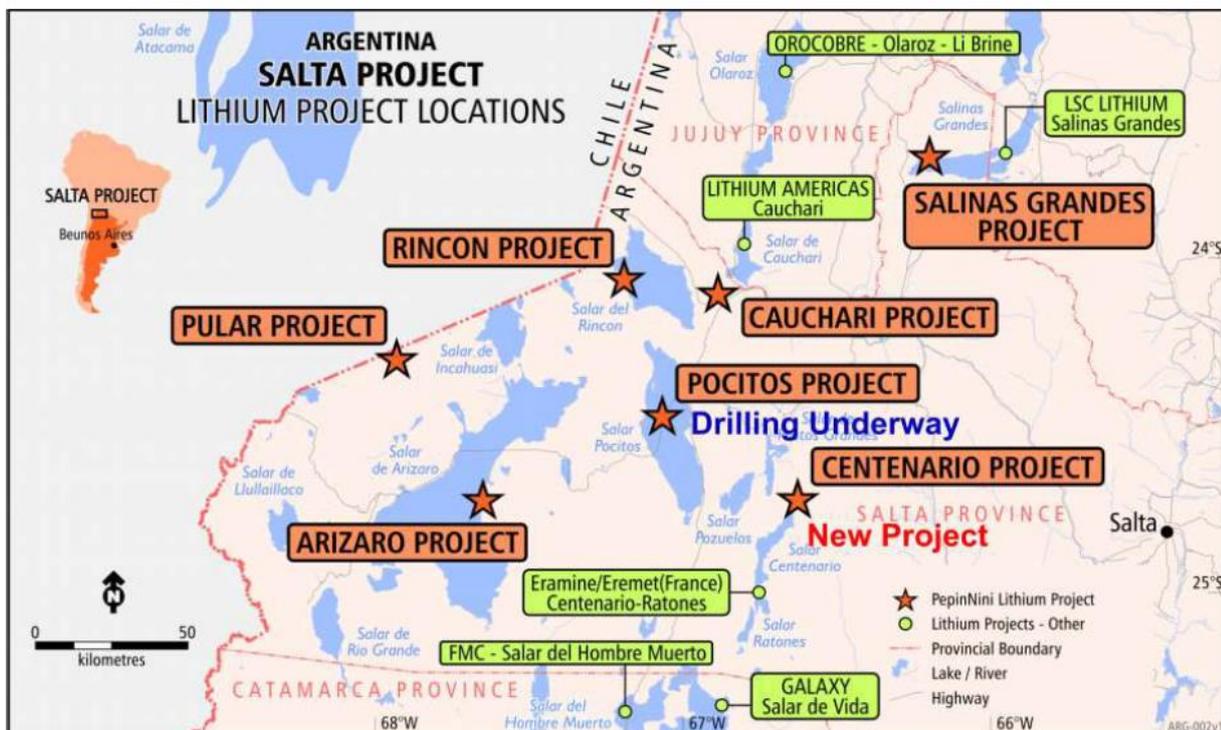
Salta Lithium Project – Exploration Update

1 June 2017

Exploration Update

- PNN announced on 30 May 2017 that drilling is underway at the Company's Salta Lithium Pocitos Project.
- PNN also announced that it has also been awarded a 1,503 hectare mining licence (mina) located in the north of the Centenario Salar.

PNN's Lithium Project – Salta Province, NW Argentina



Source: Company

State One Stockbroking comments: share price down 26% on 2-3 week delay

- While the two-three week delay in drilling at the 2,970ha Tabpocitos II mina is unfortunate - drilling was initially planned to commence in mid-May - the delay is understandable given the heavy snowfall that occurred in the region in the second half of May (see photo of snow drift in the announcement). **Our understanding is that the diamond drill hole is currently down to 50m, and management is expecting to finish the targeted 250m by the end of the week** (note: drilling will be extended if the aquifer continues below 250m).
- 10m interval samples are being sent to laboratories at Mendoza, with first assay results expected in late June/early July.
- On completion of the diamond drill hole, the rig will move to the second site located at the Pocitos II mina (3,000ha), while a rotary rig will replace the diamond drill rig at Tabpocitos II to commence pumping /water flow analysis.

- **Importantly, management remains confident that PNN is still on track to announce a JORC 2012-compliant Maiden Lithium Resource before the end of 2017.**
- **We believe that PNN's share has been oversold** (note: PNN's share price has fallen by ~26% since the 30 May announcement). The 2-3 week delay to the drilling programme was unfortunate, but, in our view, the investment thesis remains intact – value uplift through the near-term establishment of a Resource.

Potential Maiden Resource of 1.45Mt LCE- from Pocitos Project only

- Predicated on an average aquifer thickness of 135m, and a lithium grade of 400mg/L, **we calculate a potential / indicative Maiden Resource for PNN of ~1.45Mt lithium carbonate equivalent (LCE).** As a comparative, the Resource at Orocobre's (ASX: ORE) flagship producing Salar de Olaroz Project is some 6.4Mt of LCE.

Salar Pocitos: estimated Maiden Resource sensitivity analysis - Lithium Carbonate Equivalent (Mt)

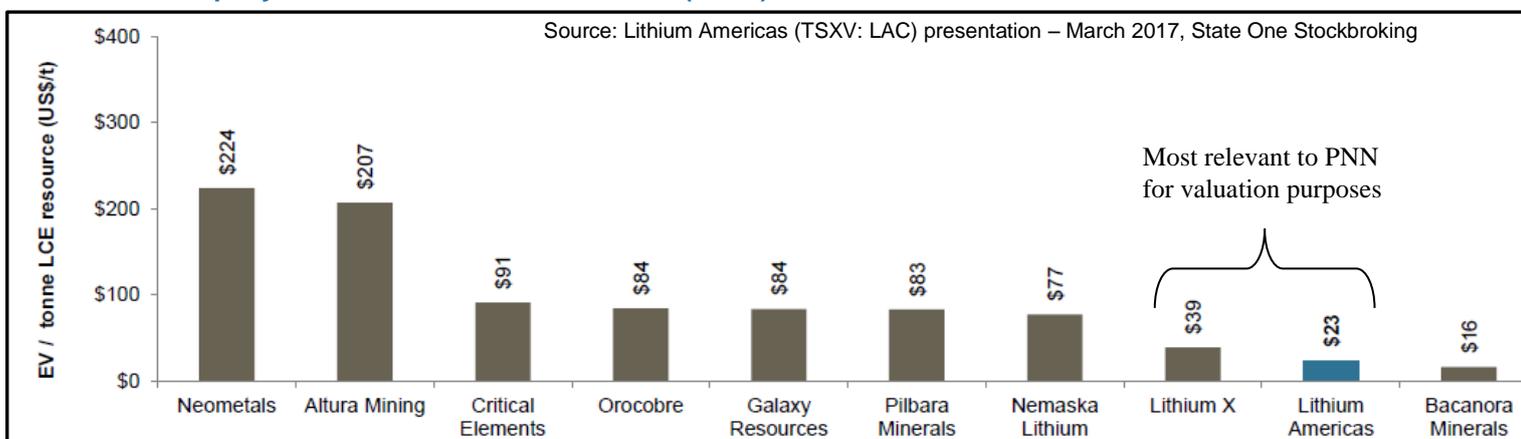
		Average deposit thickness (m)				
		105	120	135	150	165
Average Li grade (mg/L)	300	0.84	0.97	1.09	1.21	1.33
	350	0.99	1.13	1.27	1.41	1.55
	400	1.13	1.29	1.45	1.61	1.77
	450	1.27	1.45	1.63	1.81	1.99
	500	1.41	1.61	1.81	2.01	2.21

Source: State One Stockbroking
Assumptions: potential brine area = 85% of Salar Pocitos 5,970ha combined tenement (mina), base case average deposit thickness = 135m, base-case lithium grade = 400mg/L, base-case brine yield = 10%, conversion ratio: 1t Li = 5.29t Li₂CO₃.

Potential value of 1.45Mt LCE Resource = US\$45m @ peer average EV of US\$31/t LCE

- We believe that Lithium X (TSXV: LIX) and Lithium Americas (TSXV: LCA) - both early stage developers of lithium brine projects in Argentina - are the most appropriate peers to PepinNini.
- **Based on an average LIX-LCA EV/t of US\$31/t, we calculate that PNN's potential 1.45Mt Maiden Resource could be valued at US\$45m (A\$60m); this compares to PNN's current m'cap of (only) A\$7.3m.**

Lithium company valuations: EV/t LCE Resource (US\$/t)



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Note: State One Stockbroking was Lead Manager for PNN's A\$1m capital raising in July 2016, A\$0.6m capital raising in February 2017 and A\$0.6m capital raising in March 2017.

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