

Sayona Mining



Completes A\$200m placement

Key Points

- Sayona Mining has completed an A\$200m fully underwritten placement at A\$0.18/share.
- Proceeds to fund working capital requirements during production ramp up at Sayona Québec, plus higher capex and exploration.
- The size of the placement was a surprise to us and drives material cuts to our earnings due to the increased equity dilution.
- Equity raising a surprise: SYA has completed a A\$200m equity raising. We had not factored in additional equity in our base case, as we assumed SYA's existing cash balance would cover working capital requirements during production ramp up at Sayona Québec (Abitibi Hub).
- Increasing capex and working capital assumptions: We have increased our working capital build and ramp up capex assumptions for Sayona Québec to reflect guidance released with the uses of funds from the placement. Our group exploration forecasts also increase marginally to account for additional exploration and project study expenditure.
- Ramp up pace a key catalyst: SYA has reiterated its guidance for 1HFY24 spodumene shipments of 85-105kt. Our forecast remains unchanged at 73kt, 14% below the bottom end of guidance. We note that Piedmont Lithium has the rights to the first 56kt produced under the terms of the offtake agreement in the 1HFY24.
- Onerous offtake agreement impacts cash flow: The offtake agreement with Piedmont Lithium has a capped price of US\$900/t (on a 6.0% Li₂O equivalent basis), delivered to North Carolina. We have adjusted our realised price for the offtake to reflect our product grade assumption of 5.4% Li₂O, ~10% lower than benchmark grade.

Earnings changes: Incorporating the placement and increases in our capex, working capital and exploration spend assumptions drives material cuts to earnings. Our FY23e loss falls marginally while our FY24-FY28 earnings estimates decline 17-25%.

Valuation: The material cut in our earnings forecasts drives a 17% cut to our price target from A\$0.30 to A\$0.25. Our price target is calculated using a 50/50 blend of 4.0x forward EV/Ebitda and 1.0x NPV.

Catalyst: Updates on the production ramp up at Sayona Québec and development progress for Moblan present key near-term catalysts for SYA.

Investment Thesis and Recommendation

Maintain Outperform: The capital raising was a surprise, given SYA was on the cusp of first production and cash flow at Sayona Québec. The transformation from developer to producer could see SYA start to generate strong cash flow in FY24, despite the onerous offtake agreement with Piedmont Lithium.

Metals & Mining Australia

 SYA AU
 Outperform

 Price (at 30 May 2023)
 AUD0.18

 12-month target
 AUD0.25

 12 month TSR (%)
 35.1

 Volutility Index
 Vory High

| 12-month target | AUD0.25 |
|------------------------------|-----------|
| 12 month TSR (%) | 35.1 |
| Volatility Index | Very High |
| Market Cap (Local) (m) | 1,889 |
| Market Cap (USD) (m) | 1,235 |
| 30-day avg turnover (AUD)(m) | 6.6 |

Investment Fundamentals

| Year end 30 Jun | 2022A | 2023E | 2024E | 2025E |
|---------------------|---------|---------|--------|--------|
| Revenue (m) | 0.0 | 0.0 | 739.8 | 800.3 |
| EBITDA (m) | (18.2) | (36.6) | 551.3 | 580.7 |
| EBITDA growth (%) | (289.3) | (101.4) | NM | 5.3 |
| EBIT (m) | (18.2) | (36.9) | 519.8 | 543.6 |
| EBIT growth (%) | (289.2) | (102.1) | NM | 4.6 |
| Reported profit (m) | 83.7 | (37.4) | 346.5 | 268.8 |
| Adjusted profit (m) | (19.1) | (37.4) | 346.5 | 268.8 |
| EPS adj (¢) | (0.3) | (0.4) | 3.4 | 2.6 |
| EPS adj growth (%) | (109.1) | (46.3) | NM | (22.4) |
| PER adj (x) | NM | NM | 5.5 | 7.1 |
| PER rel (x) | NM | NM | 0.4 | 0.6 |
| Total DPS (¢) | 0.0 | 0.0 | 0.0 | 0.0 |
| Total div yield (%) | 0.0 | 0.0 | 0.0 | 0.0 |
| FFO (c) | 0.0 | 0.0 | 0.0 | 0.0 |
| ROA (%) | (5.0) | (4.8) | 47.6 | 37.8 |
| ROE (%) | (6.7) | (5.6) | 33.6 | 19.6 |
| EV/EBITDA (x) | (75.0) | (56.8) | 3.8 | 3.6 |
| Net debt/equity (x) | (28.2) | (18.2) | (21.9) | (6.1) |
| P/BV (x) | 2.6 | 2.3 | 1.5 | 1.3 |
| | | | | |

SYA AU rel ASX 100 performance, & rec history



Source: FactSet, Macquarie Research, May 2023 (all figures in AUD unless noted, TP in AUD)

We had not factored in an additional equity raising in our estimates

Placement to raise A\$200m was unexpected

- SYA has completed an A\$200m fully underwritten placement to raise A\$200m before
 costs. The capital raising was completed at A\$0.18/share, a 14.3% discount to the
 previous closing price and an 18.8% discount to five day VWAP. We note that A\$31m of
 the placement will require shareholder approval, set to occur on 14 July 2023.
- The placement was driven by a number of funding requirements. SYA indicated that A \$65m would be allocated to additional capital costs for the Abitibi Hub (Sayona Québec) including spending on the initial study work for the downstream lithium carbonate plant upgrade and integration. We have increased our capex assumptions for FY24 to reflect the increased spend at the Abitibi Hub.
- A further A\$40m was allocated to the Northern Hub (Moblan project) to accelerate study work. We already incorporate a development of the Moblan project in our forecast for SYA. Our pre-production capital cost assumption increases 11% to C\$500m to account for the additional study expenditure outlined in the uses of funds.
- We have increased our group exploration spend from A\$50m to A\$60m for FY24e and FY25e to reflect a likely higher spend in Canada and the new spend on SYA's portfolio of lithium and gold exploration projects in Western Australia.

Figure 1 - Sources and uses of funds

| Sources of Funds | A\$m | Uses of Funds | A\$m |
|------------------|------|-------------------------------|------|
| Placement | 200 | Abitibi Hub - Capex | 65 |
| | | Northern Hub - Studies | 40 |
| | | Western Australia Exploration | 5 |
| | | Working Capital | 90 |
| Total | 200 | Total | 200 |

Source: SYA. Macauarie Research. May 2023

Earnings decline 17-25% for FY24-FY28e, while our price target falls 17%

Material cuts to earnings and price target

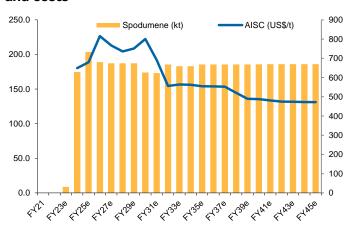
- Incorporating the placement and increases in our capex, working capital and exploration spend assumptions drives material cuts to earnings. Our FY23e loss falls marginally while our FY24-FY28 earnings estimates decline 17-25%, reflecting the increased equity dilution and adjustments to our offtake pricing assumption to factor in a lower product grade. Our FY29 and FY30 earnings forecasts fall 14% and 16%, respectively.
- The material cuts to our earnings forecasts and placement dilution drive a 17% cut in our price target from A\$0.30 to A\$0.25.

Figure 2 - Material cuts to earnings and price target

| • | • | • | | | | | |
|---------------------|-------|-------|-------|-------|-------|-------|--------------|
| Y/E June | FY23e | FY24e | FY25e | FY26e | FY27e | FY28e | Price Target |
| Earnings (A¢) - old | (0.4) | 4.1 | 3.2 | 2.4 | 2.9 | 5.2 | 0.30 |
| Earnings (A¢) - new | (0.4) | 3.4 | 2.6 | 1.8 | 2.2 | 4.2 | 0.25 |
| Change | 1% | (17%) | (19%) | (25%) | (25%) | (18%) | (17%) |

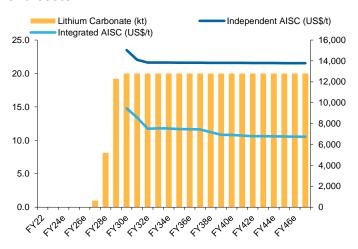
Source: Macquarie Research, May 2023

Figure 3 - Sayona Québec Carbonate production and costs



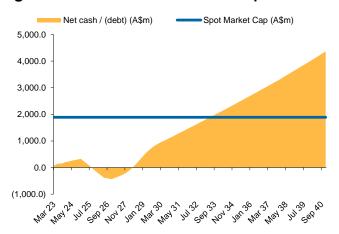
Source: SYA, Macquarie Research, May 2023

Figure 5 - Sayona Québec Carbonate production and costs



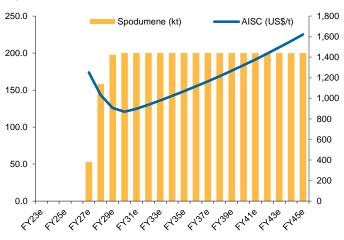
Source: SYA, Macquarie Research, May 2023

Figure 7 - Net cash build vs Market Cap



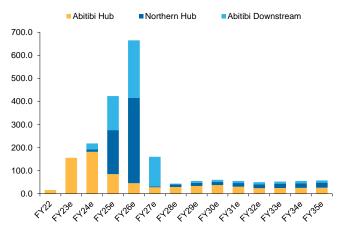
Source: SYA, Macquarie Research, May 2023

Figure 4 - Moblan spodumene production and costs



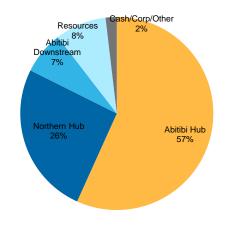
Source: SYA, Macquarie Research, May 2023

Figure 6 - Capex by project (A\$m)



Source: SYA, Macquarie Research, May 2023

Figure 8 - NPV by project (A\$m)



Source: SYA, Macquarie Research, May 2023

30 May 2023

Figure 9 - Sayona Mining summary financials and valuation

| EPS (diluted and pre sig. items) A. P/E x CFPS A. P/CF x DPS A. Dividend yield % Franking Level % Book value per share A. P/Book value x R.O.E. (pre sig items) % R.O.A. (pre sig items) % Interest Cover x EBITDA per share A. EV/EBITDA x Free cash flow yield % EARNINGS Sales Revenue A.S Other Revenue A.S Total Revenue A.S Operational EBITDA A.S | F | Mkt | 0.67 0.74 =Y23 e | Sm) | A\$0.190 1,940 1,268 FY25e 0.70 0.71 FY25e 10,252 2.6 7.2x 2.4 12.5x 0.0 0.0% 0% 0.15 1.3x 18% 35% 774x 0.1 3.2x (9%) | FY26e 0.70 0.73 FY26e 10,252 1.8 10.5x 1.9 10.1x 0.0 0% 0.16 1.2x 119% 30x 0.0 5.0x | FY270 0.70 0.73 FY270 10,252 2.2 2.0 10.7x 0.0 0.0% 0.19 1.0x 12% 25% 14x | FY28e 0.70 0.74 FY28e 10,252 4.5x 4.3 22.5x 0.0 0.0% 0% 0.23 0.8x 19% 42% 40x | FY29e 0.70 0.74 FY29e 10,252 3.7x 6.5 34.1x 5.1 26.8% 0% 0.25 0.8x 21% 43% 1,829x 1.829x 1.820x 1.829x 1.820x 1.829x 1.820x 1.82 | COMMODITY PRICES Spodumene Asia Lithium Hydroxide SPODUMENE OPERATIONS Spodumene (kt) - 100% Abitibi Hub Northern Hub Total AISC Abitibi Hub Northern Hub Group AISC LITHIUM HYDROXIDE OPERATION Lithium Hydroxide Abitibi Downstream | (US\$/t) (US\$/t) ((US\$/t) (kt) (kt) (US\$/t) (US\$/t) (US\$/t) | FY22 2,328 28,288 FY22 0 0 0 FY22 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 | FY23e 5,408 57,579 FY23e 9 0 9 0 0 0 FY23e | | FY25e 5,800 76,000 FY25e 204 0 204 709 0 709 FY25e | FY26e 5,750 77,250 189 0 189 873 0 873 FY26e | FY27e 5,050 68,500 FY27e 187 53 240 843 1,251 918 FY27e | FY28e 4,125 55,750 FY28e 187 158 345 430 910 FY28e | 2,9,2 39,2 FY2 1 1 3 8 8 8 FY2 |
|--|---|---|---|--|---|---|--|---|--|--|--|--|--|---|--|---|---|--|---|
| A\$/US\$ (x C\$/US\$ (x RATIO ANALYSIS Diluted share capital m PFE x CFPS An Dividend yield % Book value per share An P/Book value x R.O.E. (pre sig items) % R.O.A. (pre sig items) % R.O.A. (pre sig items) % R.O.A. (pre sig items) % R.O.B. (pre sig items) % As EBITDA x EARNINGS Sales Revenue As Other Revenue As Total Revenue As Operating Costs As Operational EBITDA As | F | 7.73 7.79 7.79 7.79 7.79 7.79 7.79 7.79 | 0.67 0.74 0.74 0.252 (0.4) 0.0 0.09 0.09 0.00 0.09 0.00 0.08 2.4x (5%) (4%) (69x) (10.0) (16%) | 0.69 0.71 FY24c 10.252 3.4 5.6x 0.0 16.0x 0.0 0.0% 0.12 1.6x 28% 40% 0.1 3.0x 5.6x | 0.70 0.71 FY25e 10,252 2.6 7.2x 2.4 12.5x 0.0 0.0% 0.15 1.3x 18% 35% 774x 0.1 3.2x | 0.70 0.73 FY26e 10,252 1.8 10.5x 1.9 10.1x 0.0 0.0% 0.16 1.2x 11% 19% 30x 0.0 | 0.70 0.73 FY27e 10,252 2.2 8.8x 2.0 10.7x 0.0 0.0% 0.19 1.0x 12% 25% 14x | 0.70 0.74 FY28e 10,252 4.2 4.5x 4.3 22.5x 0.0 0.0% 0.23 0.8x 19% 42% | 0.70 0.74 FY29e 10,252 5.2 3.7x 6.5 34.1x 5.1 26.8% 0.25 0.8x 21% 43% | Spodumene Asia Lithium Hydroxide SPODUMENE OPERATIONS Spodumene (kt) - 100% Abitibi Hub Northern Hub Total AISC Abitibi Hub Northern Hub Group AISC LITHIUM HYDROXIDE OPERATION Lithium Hydroxide | (US\$/t) (kt) (kt) (kt) (US\$/t) (US\$/t) (US\$/t) | 2,328 28,288 FY22 0 0 0 0 0 FY22 | 5,408 57,579 FY23e 9 0 9 | 5,475 67,000 FY24e 175 0 175 660 0 660 FY24e | 5,800 76,000 FY25e 204 0 204 709 0 709 FY25e | 5,750 77,250 FY26e 189 0 189 873 0 873 FY26e | 5,050 68,500 FY27e 187 53 240 843 1,251 918 FY27e | 4,125 55,750 FY28e 187 158 345 830 1,030 910 FY28e 8.2 | 2,9,2 39,2 FY2 1 1 3 8 8 8 FY2 |
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| PS (diluted and pre sig. items) Ar /E x FPS Ar /CF x PS Ar /CF x PS Ar /CF x PS Ar /CF x /CF x Ar /CF /CF x /CF Ar /CR /CF /CR /CR /CR /CR /CR /CR | x | 0.03) nm 0.04) 0.04) 0.09% 0.08 2.4x 33% 0.08 2.4x 4x 4 | (0.4) nm (1.1) (5.9x) 0.0 0.0% 0% 0.08 2.4x (5%) (4%) (69x) (0.0) nm (16%) | 3.4 5.6x 3.0 16.0x 0.0 0.0% 0.12 1.6x 28% 40% 416x 0.1 3.0x | 2.6 7.2x 2.4 12.5x 0.0 0.0% 0% 0.15 1.3x 18% 35% 774x 0.1 3.2x | 1.8 10.5x 1.9 10.1x 0.0 0.0% 0.16 1.2x 11% 19% 30x 0.0 | 2.2 8.8x 2.0 10.7x 0.0 0.0% 0.19 1.0x 12% 25% 14x | 4.2 4.5x 4.3 22.5x 0.0 0.0% 0.23 0.8x 19% 42% | 5.2 3.7x 6.5 34.1x 5.1 26.8% 0% 0.25 0.8x 21% 43% | Abitibi Hub Northern Hub Total AISC Abitibi Hub Northern Hub Group AISC LITHIUM HYDROXIDE OPERATION Lithium Hydroxide | (kt) (kt) (US\$/t) (US\$/t) (US\$/t) | 0 0 0 0 0 FY22 | 0 9 0 0 0 FY23e | 0 175 660 0 660 FY24e | 0 204 709 0 709 FY25e | 0 189 873 0 873 FY26e | 53 240 843 1,251 918 FY27e | 158 345 830 1,030 910 FY28e | FY. |
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| APPS AND APP | A & | 0.4) 2.2x) 0.0 0.0 0.0% 0.08 2.4x 3%) 3%) 22x) 0.0) nm 9%) (| (1.1) (5.9x) 0.0 0.0% 0% 0.08 2.4x (5%) (4%) (69x) (0.0) nm (16%) | 3.0 16.0x 0.0 0.0% 0% 0.12 1.6x 28% 40% 416x 0.1 3.0x | 2.4 12.5x 0.0 0.0% 0% 0.15 1.3x 18% 35% 774x 0.1 | 1.9 10.1x 0.0 0.0% 0.16 1.2x 11% 19% 30x 0.0 | 2.0 10.7x 0.0 0.0% 0.19 1.0x 12% 25% 14x | 4.3 22.5x 0.0 0.0% 0% 0.23 0.8x 19% 42% | 6.5 34.1x 5.1 26.8% 0% 0.25 0.8x 21% 43% | Total AISC Abitibi Hub Northern Hub Group AISC LITHIUM HYDROXIDE OPERATION Lithium Hydroxide | (kt) (US\$/t) (US\$/t) (US\$/t) | 0 0 0 0 FY22 | 9 0 0 0 FY23e | 660 0 660 FY24e | 709 0 709 FY25e | 873 0 873 FY26e | 240 843 1,251 918 FY27e | 830 1,030 910 FY28e | FY |
| /CF x APS AA Aividend yield // ranking Level // cook value per share // cook value // cook value // cook value // cook value x AC.E. (pre sig items) // cook value x AC.A. (pre sig items) | x (2 x x x x x x x x x x x x x x x x x x | .2x) (0.0 0.0% 0% 0% 0.08 2.4x 3%) 3%) 22x) 0.00) nm 9%) (Y22 F | (5.9x) 0.0 0.0% 0.0% 0% 0.08 2.4x (5%) (4%) (69x) (0.0) nm (16%) | 16.0x 0.0 0.0% 0% 0.12 1.6x 28% 40% 416x 0.1 3.0x | 12.5x 0.0 0.0% 0% 0.15 1.3x 18% 35% 774x 0.1 | 10.1x 0.0 0.0% 0% 0.16 1.2x 11% 19% 30x 0.0 | 10.7x 0.0 0.0% 0% 0.19 1.0x 12% 25% 14x | 22.5x 0.0 0.0% 0% 0.23 0.8x 19% 42% | 34.1x 5.1 26.8% 0% 0.25 0.8x 21% 43% | AISC Abilibi Hub Northern Hub Group AISC LITHIUM HYDROXIDE OPERATION Lithium Hydroxide | (US\$/t) (US\$/t) (US\$/t) | 0 0 0 FY22 | 0 0 0 FY23e | 660 0 660 FY24e | 709 0 709 FY25e | 873 0 873 FY26e | 843 1,251 918 FY27e | 830 1,030 910 FY28e | FY |
| A A Sividend yield A A Sividend yield A A A A A A A A A A A A A A A A A A | % (1) % (2) % (3) % (4) % (4) % (5) | 0.0 0% 0% 0.08 2.4x 3%) 3%) 0.00 nm (99%) (Y22 F | 0.0 0.0% 0% 0.08 2.4x (5%) (4%) (69x) (0.0) nm (16%) | 0.0 0.0% 0% 0.12 1.6x 28% 40% 416x 0.1 3.0x | 0.0 0.0% 0% 0.15 1.3x 18% 35% 774x 0.1 3.2x | 0.0 0.0% 0% 0.16 1.2x 11% 19% 30x 0.0 | 0.0 0.0% 0% 0.19 1.0x 12% 25% 14x | 0.0 0.0% 0% 0.23 0.8x 19% 42% | 5.1 26.8% 0% 0.25 0.8x 21% 43% | Abilibi Hub Northern Hub Group AISC LITHIUM HYDROXIDE OPERATION Lithium Hydroxide | (US\$/t) (US\$/t) | 0 0 FY22 | 0 0 FY23e | 0 660 FY24e 0.0 | 0 709 FY25e 0.0 | 0 873 FY26e | 1,251 918 FY27e | 1,030 910 FY28e 8.2 | FY |
| Sock value per share | % (1) % % % % % % % % % % % % % % % % % % % | 0% 0% 0.08 2.4x 3%) 3%) 0.00 0.00 0.00 0.00 0.00 | 0.0% 0% 0.08 2.4x (5%) (4%) (69x) (0.0) nm (16%) | 0.0% 0% 0.12 1.6x 28% 40% 416x 0.1 3.0x | 0.0% 0% 0.15 1.3x 18% 35% 774x 0.1 3.2x | 0.0% 0% 0.16 1.2x 11% 19% 30x 0.0 | 0.0% 0% 0.19 1.0x 12% 25% 14x | 0.0% 0% 0.23 0.8x 19% 42% | 26.8% 0% 0.25 0.8x 21% 43% | Northern Hub Group AISC LITHIUM HYDROXIDE OPERATION Lithium Hydroxide | (US\$/t) (US\$/t) | 0 0 FY22 | 0 0 FY23e | 0 660 FY24e 0.0 | 0 709 FY25e 0.0 | 0 873 FY26e | 1,251 918 FY27e | 1,030 910 FY28e 8.2 | FY |
| Franking Level | \ \(\text{\colored} \\ \c | 0.08 2.4x 3%) 3%) 22x) 0.0) nm 9%) (Y22 F | 0.08 2.4x (5%) (4%) (69x) (0.0) nm (16%) | 0.12 1.6x 28% 40% 416x 0.1 3.0x | 0.15 1.3x 18% 35% 774x 0.1 3.2x | 0.16 1.2x 11% 19% 30x 0.0 | 0.19 1.0x 12% 25% 14x | 0% 0.23 0.8x 19% 42% | 0% 0.25 0.8x 21% 43% | Group AISC LITHIUM HYDROXIDE OPERATION Lithium Hydroxide | (US\$/t) | FY22 | FY23e | FY24e 0.0 | 709 FY25e 0.0 | 873 FY26e | 918 FY27e | 910 FY28e 8.2 | FY |
| X/Book value x A.O.E. (pre sig items) X.O.A. (pre sig items) X.O.A | x | 2.4x 33%) 33%) 22x) 0.0) nm (422 F | 2.4x (5%) (4%) (69x) (0.0) nm (16%) | 1.6x 28% 40% 416x 0.1 3.0x | 1.3x 18% 35% 774x 0.1 | 1.2x 11% 19% 30x 0.0 | 1.0x 12% 25% 14x | 0.8x 19% 42% | 0.8x 21% 43% | Lithium Hydroxide | | 0.0 | | 0.0 | 0.0 | | 1.0 | 8.2 | |
| X.O.E. (pre sig items) X.O.A. | % (% (% (% (% (% (% (% (% (% (% (% (% (% | 3%) 3%) 22x) 0.0) nm 9%) (Y22 F | (5%) (4%) (69x) (0.0) nm (16%) | 28% 40% 416x 0.1 3.0x | 18% 35% 774x 0.1 3.2x | 11% 19% 30x 0.0 | 12% 25% 14x | 19% 42% | 21% 43% | | (kt) | | 0.0 | | | 0.0 | | | |
| .O.A. (pre sig items) % terest Cover x BITDA per share A: V/EBITDA x ree cash flow yield % ARNINGS ales Revenue As otal Revenue As operating Costs As speparational EBITDA As | % (x (x) (x) (x) (x) (x) (x) (x) (x) (x) | 3%) 22x) 0.0) nm (Y22 F | (4%) (69x) (0.0) nm (16%) | 40% 416x 0.1 3.0x 5% | 35% 774x 0.1 3.2x | 19% 30x 0.0 | 25% 14x | 42% | 43% | Abitibi Downstream | (kt) | | 0.0 | | | 0.0 | | | |
| terest Cover x BITDA per share A: V/EBITDA x ree cash flow yield % ARNINGS ales Revenue A\$ otal Revenue A\$ otal Revenue A\$ perating Costs A\$ speparational EBITDA A\$ | x ((xxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxxx | 22x) 0.0) nm 9%) (Y22 F | (69x) (0.0) nm (16%) | 416x 0.1 3.0x 5% | 774x 0.1 3.2x | 30x 0.0 | 14x | | | | | | | 0.0 | | | | 8.2 | |
| EBITDA per share A: EV/EBITDA | \$\$ x | 0.0) nm 9%) (Y22 F | (0.0) nm (16%) | 0.1 3.0x 5% | 0.1 3.2x | 0.0 | | 40x | 1 0000 | Total | (kt) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 | | 1 |
| EVIEBITDA x ree cash flow yield % FARNINGS Tales Revenue As otal Revenue As otal Revenue As operating Costs As operational EBITDA As | x (1 F S m S m S m | nm 9%) (Y22 F | nm (16%) FY23e | 3.0x 5% | 3.2x | | 0.3 | | | AISC | (11064) | ^ | | 0 | ^ | ^ | 70 740 | 44.004 | 24 |
| FARNINGS Sales Revenue A\$ Other Revenue A\$ Operating Costs A\$ Operational EBITDA A\$ | % (1 \$m \$m \$m \$m | 9%) (Y22 F 0 | (16%) FY23e | 5% | | | 3.4x | 0.1 | 0.1 1.2x | Group AISC | (US\$/t) (US\$/t) | 0 | 0 | 0 | 0 | 0 | 70,742 70,742 | 44,904 44,904 | 24, 24 , |
| EARNINGS Sales Revenue A\$ Other Revenue A\$ Total Revenue A\$ Operating Costs A\$ Operational EBITDA A\$ | F \$m \$m \$m | Y22 F 0 | FY23e | | , | (24%) | 2% | 20% | 31% | Lithium Carbonate Equivalent | (kt) | 0.0 | 1.3 | 26.0 | 30.2 | 28.1 | 35.7 | 51.3 | 24 , |
| Sales Revenue A\$ Other Revenue A\$ Total Revenue A\$ Operating Costs A\$ Operational EBITDA A\$ | \$m \$m \$m \$m | 0 | | FY24e | | . , | | | | • | . , | | | | | | | | |
| Other Revenue A\$ Fotal Revenue A\$ Operating Costs A\$ Operational EBITDA A\$ | \$m \$m \$m | 0 | 0 | | FY25e | FY26e | FY27e | FY28e | FY29e | SPODUMENE PRODUCTION - 100% | 6 Basis | | | | | | | | |
| total Revenue A\$ Operating Costs A\$ Operational EBITDA A\$ | \$m \$m | | | 740 | 800 | 688 | 977 | 1,632 | 1,844 | 450 a | Abitibi Hub | (kt) | Norther | m Hub (kt) | | Group AISC | C (US\$/t) | | 1, |
| Operating Costs A\$ Operational EBITDA A\$ | \$m | Λ. | 2 | 0 | 0 | 0 | 0 | 0 | 0 | | | () | | , | | , | (===,, | | |
| perational EBITDA A\$ | | | 2 | 740 | 800 | 688 | 977 | 1,632 | 1,844 | 400 - | | | | | | | | | - 1, |
| | | 0 0 | 0 2 | (154) 586 | (186) 614 | (208) 480 | (300) 677 | (470) 1,162 | (539) 1,306 | 350 - | | | \sim | | | | | | |
| xploration expense A\$ | \$m | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 300 - | | | | | | | | | - 80 |
| orporate & Other Costs A\$ | | (19) | (39) | (35) | (33) | (34) | (35) | (36) | (37) | 300] | | | | | | | | | 00 |
| BITDA A\$ | \$m | (18) | (37) | 551 | 581 | 445 | 642 | 1,126 | 1,269 | 250 - | | | | | | | | | - 60 |
| 8A A\$ | \$m | (0) | (0) | (31) | (37) | (36) | (52) | (92) | (120) | 200 - | | | | | | | | | - 60 |
| BIT A\$ | \$m | (18) | (37) | 520 | 544 | 410 | 590 | 1,034 | 1,148 | 450 | | | | | | | | | ll |
| let Interest A\$ | | (1) | (1) | (1) | (1) | (14) | (42) | (26) | (1) | 150 - | | | | | | | | | - 40 |
| Profit Before Tax A\$ Tax Expense A\$ | | (19) | (37) | 519 | 543 | 396 | 547 | 1,008 | 1,148 | 100 - | | | | | | | | | 11. |
| Fax Expense A\$ Minorities A\$ | | 0 | 0 | (45) (127) | (173) (101) | (133) (78) | (188) | (320) (256) | (356) (262) | 50 - | | | | | | | | | - 20 |
| | \$m | (19) | (37) | 346 | 269 | 185 | 221 | 432 | 530 | _ | | | | | | | | | |
| Significant Items (post tax) A\$ | \$m | 103 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 640, 6405 4058 4088 4058 848 | s | ,09° ,5 | Se 2/6 . | ನ್ಮ ಸ್ಥ | | ,060 ,01 | (o '480 | | - + 0 |
| Reported NPAT A\$ | \$m | 84 | (37) | 346 | 269 | 185 | 221 | 432 | 530 | δ. δ. Ψ. Ψ. Ψ. Ψ. | 4, 4, | ځ [*] ځ | 4, 4 | ~ <~ < | 4, 64, | ۷, ۷, | 4 6 | 12 Ext. | |
| ASHFLOW | F | Y22 F | FY23e | FY24e | FY25e | FY26e | FY27e | FY28e | FY29e | RESERVES AND RESOURCES | | | | | | | | | |
| let Profit A\$ | | 84 | (37) | 346 | 269 | 185 | 221 | 432 | 530 | Spodumene reserves | | | | | | | | | |
| nterest/Tax/D&A A\$ | | (11) | (53) | 15 | (26) | (3) | 39 | 79 | 106 | Project | | | | | | | | Li ₂ O (%) | |
| Vorking Capital/other A\$ let Operating Cashflow A\$ | | 03) (31) | (25) (116) | (50) 312 | (1) 243 | 14 196 | (53) 208 | (72) 439 | 27 664 | Authier North American Lithium | | | | | | | 11.3 21.7 | 0.96% | 10 23 |
| apex A\$ | | | (156) | (218) | (423) | (665) | (160) | (44) | (55) | Mobian | | | | | | | 10.7 | 1.40% | 15 |
| vestments A\$ | | 213) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | Total reserves | | | | | | | 43.7 | 1.13% | 49 |
| ale of PPE and Other A\$ | | 0 | (34) | 0 | 0 | 0 | 0 | 0 | 0 | Spodumene resources | | | | | | | | | |
| ree cash flow A\$ | \$m (| 260) | (306) | 93 | (181) | (468) | 48 | 395 | 608 | Project | | | | | | | Ore (mt) | Li ₂ O (%) | Li ₂ O |
| ividends Paid A\$ | \$m | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (297) | Authier | | | | | | | 17.0 | 1.02% | 17 |
| 9ebt A\$ | | (0) | 31 | (1) | (1) | 392 | (37) | (358) | (1) | North American Lithium | | | | | | | 58.3 | 1.23% | 71 |
| quity Issuance A\$ | | 408 | 265 | 29 | 0 | 0 | 0 | 0 | 0 | Moblan | | | | | | | 51.4 | 1.31% | 67 |
| other A\$ let Financing Cashflow A\$ | | 0 408 | 0 295 | 0 28 | 0 (1) | 0 392 | 0 (37) | 0 (358) | 0 (298) | Total resources | | | | | | | 126.7 | 1.23% | 1,56 |
| et change in cash A\$ | | 148 | (10) | 122 | (182) | (76) | 11 | 37 | 310 | SUM-OF-THE-PARTS NPV | | | | | Spi | ot prices | N | Macquarie 1 | forec |
| | | | , | | (- , | (-, | | | | Projects | | | | | A\$m | A\$ps | | A\$m | А |
| ALANCE SHEET | F | Y22 F | Y23e | FY24e | FY25e | FY26e | FY27e | FY28e | FY29e | Abitibi Hub | | | | | 3,093 | 0.34 | | 1,435 | (|
| ash A\$ | | 185 | 174 | 295 | 114 | 37 | 48 | 86 | 396 | Northern Hub | | | | | 2,538 | 0.28 | | 648 | (|
| P&E & Mine Development A\$ | | 294 | 391 | 578 | 964 | 1,593 | 1,700 | 1,651 | 1,586 | Abitibi Downstream | | | | | 1,271 | 0.14 | | 181 | |
| xploration A\$ | | 159 | 250 | 310 | 370 1 572 | 406 | 418 | 430 | 442 | Resources | | | | | 587 | 0.06 | | 217 | |
| otal Assets A\$ ebt A\$ | | 661 23 | 879 19 | 1,307 18 | 1,573 18 | 2,142 331 | 2,345 302 | 2,445 16 | 2,666 15 | | | | | | 0 | 0.00 | | 0 | |
| otal Liabilities A\$ | | 90 | 57 | 67 | 67 | 455 | 439 | 109 | 98 | | | | | | (141) | (0.02) | | (226) | (0 |
| otal Net Assets / Equity A\$ | | 571 | 822 | 1,240 | 1,506 | 1,687 | 1,907 | 2,337 | 2,567 | Cash | | | | | 193 | 0.02 | | 295 | ,, |
| let Debt / (Cash) A\$ | \$m (| 61) | (154) | (277) | (96) | 294 | 254 | (70) | (381) | Debt | | | | | (23) | (0.00) | | (23) | (0 |
| Searing (net debt/(nd + equity)) % | % | nm (| (23%) | (29%) | (7%) | 15% | 12% | (3%) | (17%) | Net Equity Value (@ 12% nom WAC | C)) | | | | 7,519 | 0.82 | | 2,528 | - |

Source: SYA, Macquarie Research, May 2023

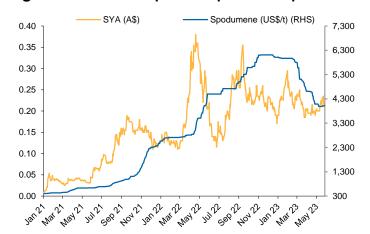
Key Risks to Investment Thesis

Movements in spodumene prices present the most material risk to our short, medium and long-term earnings forecasts and valuation for SYA.

The pace of the production ramp up at Sayona Québec (Abitibi Hub) presents a material risk to our near-term earnings forecasts for SYA. We note that the project has an onerous offtake agreement that caps spodumene sales at US \$900/t for the first 113ktpa of spodumene produced each year.

For a detailed summary of the risks to our view relating to Piedmont Lithium (valuation: 50/50 Blend of 4.0x EV/Ebitda and 1.0x NPV) (PLL AU/PLL US), see our latest report.

Figure 10 - SYA share price vs spodumene price

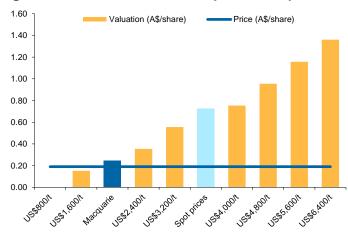


Source: Bloomberg, Macquarie Research, May 2023

Company Description

Sayona Mining (SYA) owns 75% of Sayona Québec, a project previously known as North American Lithium (NAL). The project is production ready with the operation having last produced spodumene concentrate in 2019. SYA plans to develop the nearby Authier deposit as a second ore source over time to improve product quality. The Sayona Québec operation also contains partially constructed downstream infrastructure that could enable lithium carbonate to be produced on site. A PFS is currently underway to assess the potential of the downstream project, which has a capacity of 22ktpa of lithium carbonate.

Figure 11 - SYA NPV at various spodumene prices



Source: SYA, Bloomberg, Macquarie Research, May 2023

Key Quant Pick

The quant model currently holds a reasonably negative view on Sayona Mining. The strongest style exposure is Profitability, indicating this stock is efficiently converting investments to earnings; proxied by ratios like ROE or ROA. The weakest style exposure is Quality, indicating this stock is likely to have a weaker and less stable underlying earnings stream.

Macquarie Alpha Model: Key rankings

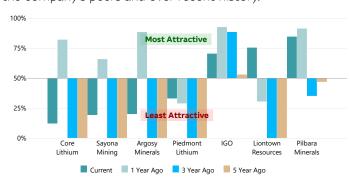
The Macquarie Quant's flagship Alpha model is a dynamic multi-factor model based on a staple of quant factors such as value, momentum, revisions, quality, and risk.

| | Global | Market (Country) | Sector |
|------------------------------|----------------|------------------|-----------------|
| | Whole Universe | Australia & NZ | Metals & Mining |
| Macquarie Alpha Model | 14484/17563 | 341/422 | 529/666 |
| Fundamental (Consensus) * | 2487/17563 | 30/422 | 114/666 |

^{*} based on Total Shareholder Return = Consensus Price target / Current Price

Current and Historical Alpha Model Rank

The chart shows the Macquarie Alpha model ranking against the company's peers and over recent history.



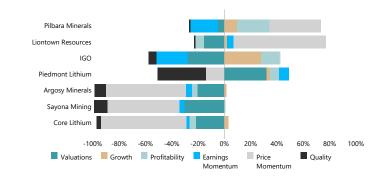
Alpha Model Decomposition

The Macquarie Alpha is decomposed into its sector and market relative factor & styles exposures (a higher/better percentile is coded in green, whilst lower in red).

| | Percentile relative to | | |
|------------------|------------------------|------------------|---|
| Factors / Styles | sectors (/666) | market (/422) | Core factors in definition |
| ALPHA | 21% | 19% | See all the styles below |
| VALUE | 20% | 24% | Book, CF, Yield, Earnings Multiples |
| ANALYST | 51% | 38% | Revisions (Earnings, Recommendations) |
| MOMENTUM | 27% | 37% | Price Momentum |
| GROWTH | 0% | 0% | EPS, Sales (Forecast, Historic) |
| PROFITABILITY | 78% | 76% | ROE, Margin, Asset Turnover |
| QUALITY | 6% | 10% | Accruals, Earn Stability, Cash Conversion |
| CAPITAL | 7% | 9% | Investment/Capex, Net share issuance |
| LIQUIDITY | 33% | 7% | Size, Turnover, Analyst Coverage |
| RISK | 24% | 31% | Beta, Volatility, Earnings Certainty, Leverage |
| TECHNICAL | 71% | 73% | MACD, RSI, Bollinger, Williams R, etc |

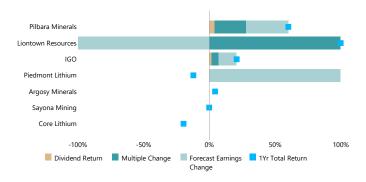
Factors driving the Alpha Model vs peers

For the comparable firms this chart shows the key underlying styles and their contribution to the current overall Alpha score.



Drivers of Stock Return

Breakdown of 1-year total return (local currency) into returns from dividends, changes in forward earnings estimates and the resulting change in earnings multiple.



Macquarie Style Returns over last year

Recent performance to Macquarie style factors

| | | | | Mo | nthly Fa | ctor Lor | g-Short | Returns | for | | | | | |
|----------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------------------|---------------------------|
| Australia & NZ | Jun - 23 | May - 23 | Apr - 23 | Mar - 23 | Feb - 23 | Jan - 23 | Dec - 22 | Nov - 22 | Oct - 22 | Sep - 22 | Aug - 22 | Jul - 22 | Last 5 Years (ann) | Last 10 Years (ann) |
| ALPHA | -3% | 0% | 0% | -1% | -1% | -3% | 0% | 4% | 6% | -8% | -1% | 2% | -5% | 0% |
| VALUE | -3% | -5% | -1% | -2% | 1% | 2% | -2% | 4% | 6% | -10% | 5% | 5% | 0% | -3% |
| ANALYST | 0% | -1% | 0% | 0% | -3% | -5% | -3% | 5% | 5% | 0% | 1% | -1% | 9% | 6% |
| MOMENTUM | -3% | 1% | -4% | -4% | -2% | 0% | -3% | 2% | 5% | -8% | 3% | 0% | -12% | -2% |
| GROWTH | -2% | 0% | -3% | -4% | 0% | -6% | 3% | -1% | 5% | 0% | 1% | -1% | -9% | -2% |
| PROFITABILITY | -4% | 3% | -5% | 4% | -3% | 5% | -2% | 4% | -3% | 2% | 2% | -1% | 3% | 3% |
| QUALITY | -2% | -1% | 0% | -2% | -1% | 2% | -6% | 0% | -2% | -1% | 6% | 0% | -12% | -8% |
| CAPITAL | -1% | 4% | -3% | -2% | 0% | 1% | 1% | -3% | 1% | -3% | 1% | 2% | -2% | 0% |
| LIQUIDITY | 0% | 1% | -9% | 0% | 2% | 4% | 1% | 2% | 1% | -5% | -1% | 4% | -3% | -1% |
| RISK | -1% | -4% | 6% | -5% | 0% | -2% | -3% | 1% | 0% | -6% | 2% | -1% | 1% | -1% |
| TECHNICAL | 3% | 4% | 1% | 3% | -1% | 8% | 4% | 0% | 3% | -3% | 9% | 3% | 12% | 11% |

Source (all charts): FactSet, Refinitiv, and Macquarie Quant. For more details on the Macquarie Alpha model or for more customised analysis and screens, please contact the Macquarie Global Quantitative Team: maccapequitiesresearchquantglobal@macquarie.com. Explanation for items on this page can be found at https://www.macquarieinsights.com/rp/d/r/p/OTUyMzg1

Important Disclosures

Recommendation definitions

Macquarie - Asia and USA

Outperform - expected return >10% Neutral - expected return from -10% to +10% Underperform - expected return <-10%

Macquarie - Australia/New Zealand Outperform - expected return >10%

Neutral – expected return from 0% to 10% Underperform – expected return <0%

During periods of share price volatility, recommendations and target prices may occasionally and temporarily be inconsistent with the above definitions.

Recommendations – 12 months **Note**: Quant recommendations may differ from Fundamental Analyst recommendations

Volatility index definition

This is calculated from the volatility of historical price movements.

Very high - highest risk - Stock should be expected to move up or down 60-100% in a year - investors should be aware this stock is highly speculative.

High – stock should be expected to move up or down at least 40–60% in a year – investors should be aware this stock could be speculative.

Medium - stock should be expected to move up or down at least 25-40% in a year.

Low - stock should be expected to move up or down at least 15-25% in a year.

* Applicable to select stocks in Asia/Australia/NZ

Note: expected return is reflective of a Medium Volatility stock and should be assumed to adjust proportionately with volatility risk

Financial definitions

All "Adjusted" data items have had the following adjustments made:

Added back: goodwill amortisation, provision for catastrophe reserves, IFRS derivatives & hedging, IFRS impairments & IFRS interest expense

Excluded: non recurring items, asset revals, property revals, appraisal value uplift, preference dividends & minority interests

EPS = adjusted net profit / efpowa*

ROA = adjusted ebit / average total assets

ROA Banks/Insurance = adjusted net profit /average total assets

ROE = adjusted net profit / average shareholders funds Gross cashflow = adjusted net profit + depreciation *equivalent fully paid ordinary weighted average number of shares

All Reported numbers for Australian/NZ listed stocks are modelled under IFRS (International Financial Reporting Standards).

Recommendation proportions for quarter ending 31 March 2023

| | AU/NZ | Asia | USA | |
|--------------|--------|--------|--------|---|
| Outperform | 56.13% | 64.77% | 64.49% | (for global coverage by Macquarie, 2.51% of stocks followed are investment banking clients) |
| Neutral | 37.74% | 23.98% | 32.71% | (for global coverage by Macquarie, 1.83% of stocks followed are investment banking clients) |
| Underperform | 6.13% | 11.26% | 2.80% | (for global coverage by Macquarie, 0.00% of stocks followed are investment banking clients) |

Company-Specific Disclosures

Company Name

Sayona Mining (SYA AU)

Outperform

12-month target: AUD0.25 - 50/50 Blend of 4.0x EV/Ebitda and NPV Valuation: AUD 0.25 - DCF (WACC 9.4%, beta 1.4, ERP 5.0%, RFR 3.0%, TGR 2.6%) Price: AUD0.18

Disclosure

Macquarie Group Limited together with its affiliates owns a net long of 0.5% or more of the equity securities of Sayona Mining Ltd Macquarie Group Limited together with its affiliates beneficially owns 1% or more of the equity securities of Sayona Mining Ltd.

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Piedmont Lithium (PLL AU)

Outperform

12-month target:AUD2.00 - 50/50 Blend of 4.0x EV/Ebitda and 1.0x NPV Valuation: AUD 2.48 - DCF (WACC 9.4%, beta 1.5, ERP 5.0%, RFR 3.0%, TGR 2.6%) Price:AUD0.84 A Macquarie analyst involved with the preparation of this research has, in the past 12 months, visited material operations of Piedmont Lithium Inc.

Piedmont Lithium (PLL US)

Outperform

12-month target:USD133.00 Price:USD55.33 A Macquarie analyst involved with the preparation of this research has, in the past 12 months, visited material operations of Piedmont Lithium Inc. The company furnished local transportation as part of this site visit, which was authorized in adherence with Macquarie policy requirements

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Recommendation history

| Company name | Date | Recommendation | Target price |
|--------------------------|-------------|----------------|--------------|
| Sayona Mining (SYA AU) | 30-May-2023 | Outperform | AUD 0.25 |
| Sayona i minig (Sintino) | 17-Apr-2023 | Outperform | AUD 0.30 |
| | 22-Mar-2023 | Outperform | AUD 0.28 |





Piedmont Lithium (PLL AU)



| 21-Apr-2023 | Outperform | AUD 2.00 |
|-------------|------------|----------|
| 17-Apr-2023 | Outperform | AUD 1.85 |
| 22-Mar-2023 | Outperform | AUD 1.80 |
| 8-Mar-2023 | Outperform | AUD 2.10 |

Piedmont Lithium (PLL US)



| 21-Apr-2023 | Outperform | USD 133.00 |
|-------------|------------|------------|
| 17-Apr-2023 | Outperform | USD 124.00 |
| 22-Mar-2023 | Outperform | USD 123.00 |
| 8-Mar-2023 | Outperform | USD 140.00 |

Analyst Certification

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