

Delta Lithium Limited

September 15, 2023



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Delta Lithium Limited

Equity Analysis

Kapitales Research Rating ★★★★★
Recommendation Speculative Buy
Current Market Price AU\$0.795
Risk High

52 Week Range (AUD)

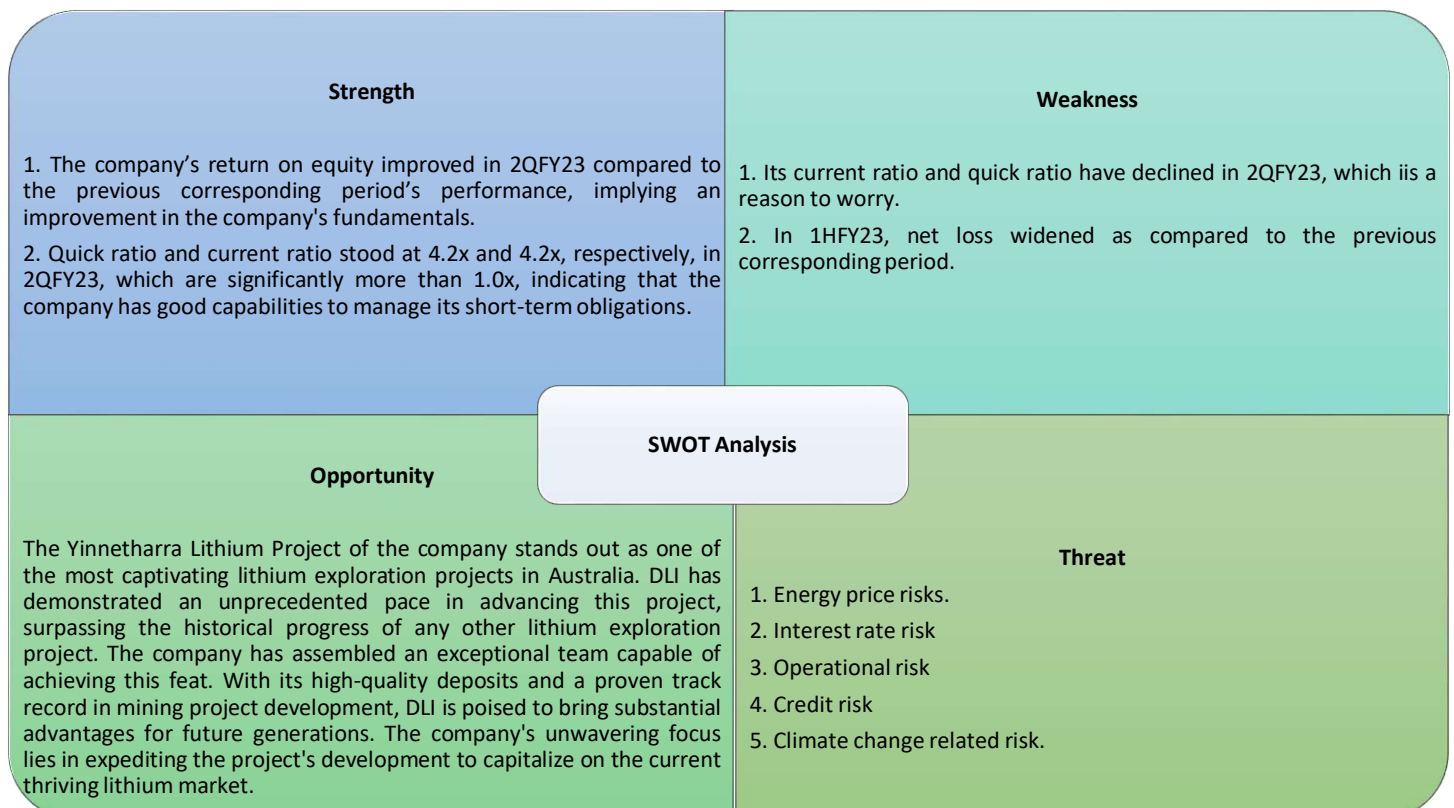


Average volume	4.800 million	52 Week Range (AU\$)	0.290 – 1.000
Shares outstanding	532.66 million	Dividend amount (AU\$)	-
Free float	417.58 million	Dividend Yield	-
P/E (TTM)	-	Ex-date	-
Market cap (AU\$)	426.12 million	Record date	-
EPS (TTM)(AU\$)	-	Pay date	-
ROE	-4.77%	Franking	-

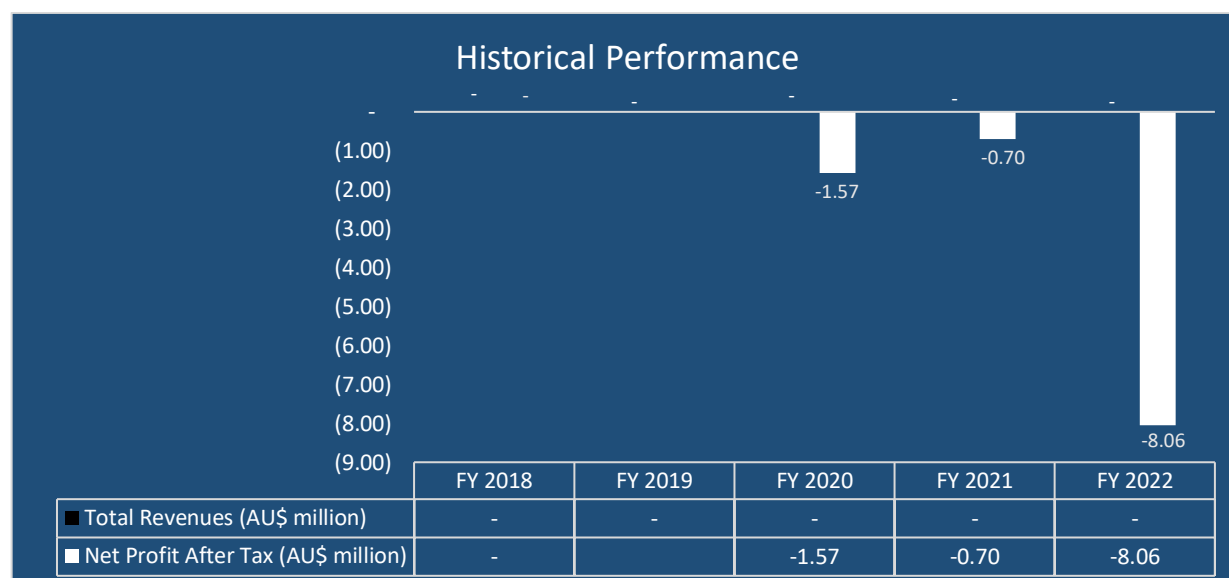
Source: (ASX and Koyfin), Analysis by Kapitales Research

Delta Lithium Limited (ASX: DLI) explores for and develops lithium properties in Western Australia. Its flagship project is the Mt Ida lithium project that comprises of 30 tenements located to the north-west of Menzies in Western Australia. The company also holds interest in the Yinnetharra lithium project that comprises of 4 granted tenements and 3 pending tenements covering an area of 575 square kilometers located in the northeast of Gascoyne junction; the Eureka gold project located to the north of Kalgoorlie; and the Earahedy basin project covering an area of 270 square kilometers located east of Wiluna in Western Australia.

SWOT Analysis

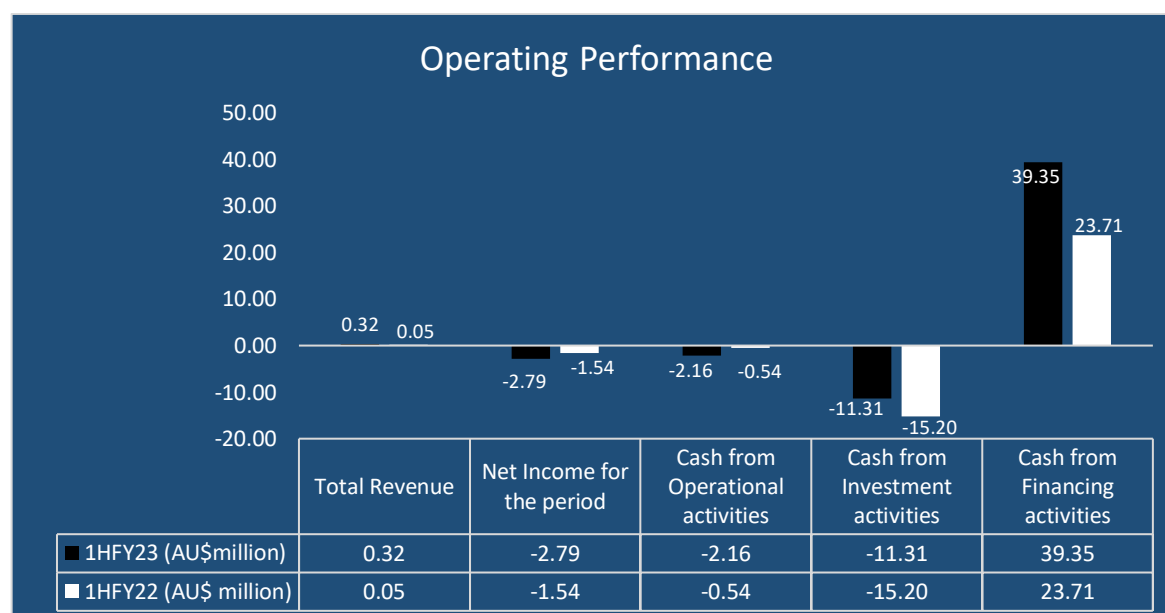


Historical Performance



Source: Koyfin, Analysis by Kapitaless Research

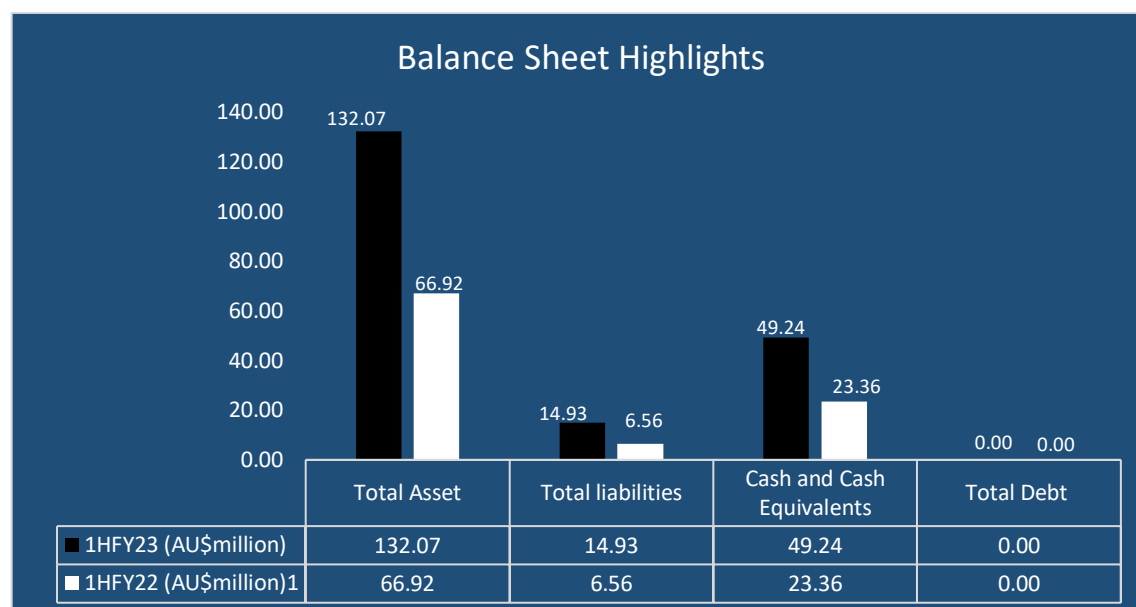
Operating Performance (period ended 31 December 2022)



Source: Company Reports, Chart Prepared by Kapitaless Research

- In 1HFY23, the company's net loss for the period was AU\$2.79 million against AU\$1.54 million in 1HFY22.
- During 1HFY23, DLI completed the divestment of its Warriedar Gold Project to Anova Metals Limited to concentrate expenditure and resources on advancing the Mt Ida Lithium Project.
- In December2022, the company received firm commitments for an AU\$55.0 million capital raising at AU\$0.50 per share which includes 2 tranches. Tranche 1 has been completed in December 2022 to raise AU\$41.5 million via the issue of 83.0 million new shares and tranche 2 completed in January 2023 to raise AU\$13.5 million via the issue of 27 million New Shares.

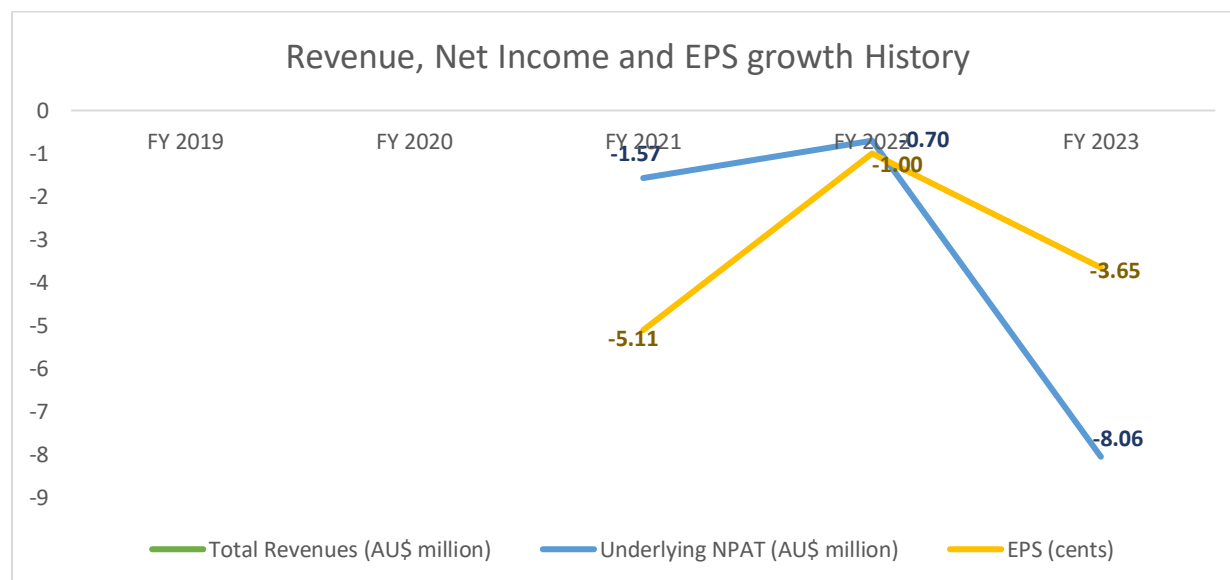
Balance Sheet Highlights (period ended 31 December 2022)



Source: Company Reports, Chart Prepared by Kapitaless Research

Compared to 1HFY22, the company's total assets, total liabilities and cash & cash equivalent increased by 97.35%, 127.48% and 110.78% in 1HFY23.

Revenue, Net Income and EPS growth History



Source: Koyfin, Analysis by Kapitaless Research

Fiscal Years	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	Growth Trend
Total Revenues (AU\$ million)						
Underlying NPAT (AU\$ million)			-1.57	-0.70	-8.06	— — ■
EPS (cents)			-5.11	-1.00	-3.65	■ — ■

Source: Koyfin, Analysis by Kapitaless Research

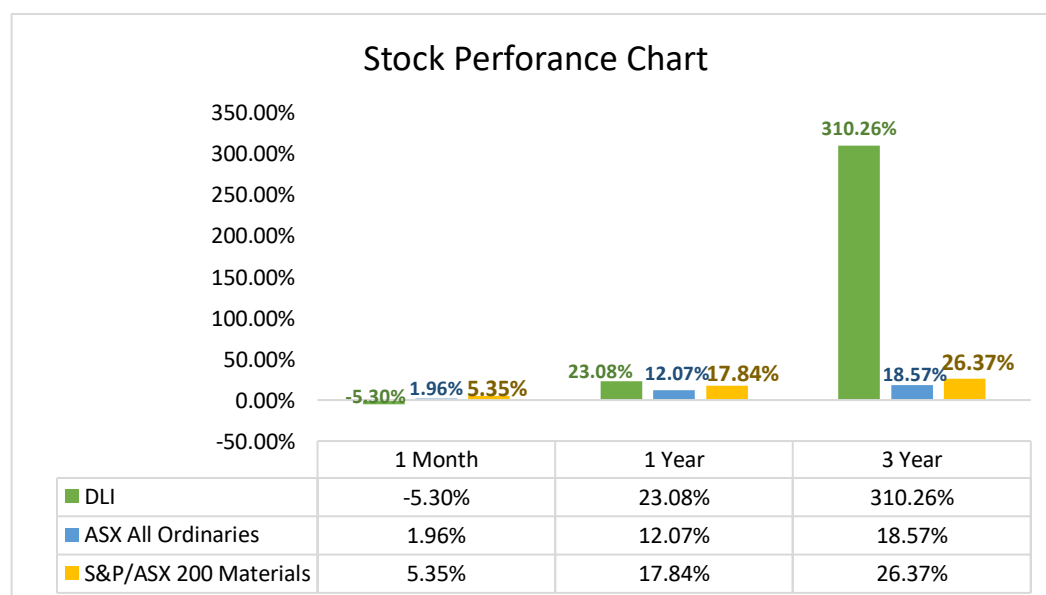
Ratio Analysis

Fiscal Quarters	2Q FY2022	3Q FY2022	4Q FY2022	1Q FY2023	2Q FY2023
Return on Assets	-4.10%	-6.26%	-5.39%	-4.49%	-3.38%
Return On Equity %	-7.18%	-25.23%	-21.58%	-6.30%	-4.77%
EBITDA Margin %	-	-	-	-	-
Gross Profit Margin %	-	-	-	-	-
Net Income Margin %	-	-	-	-	-
Inventory Turnover (Average Inventory)	-	-	-	-	-
Asset Turnover	-	-	-	-	-
Current Ratio	6.4	6.2	6.2	4.2	4.2
Quick Ratio	5.9	5.8	5.8	4.2	4.2
Days Sales Outstanding (Average Receivables)	-	-	-	-	-
Days Payable Outstanding (Avg)	-	-	-	-	-
Cash Conversion Cycle (Average Days)	-	-	-	-	-

Source: Koyfin, Analysis by Kapitales Research

- The company's return on equity improved in 2QFY23 compared to the previous corresponding period's performance, implying an improvement in the company's fundamentals.
- Quick ratio and current ratio stood at 4.2x and 4.2x, respectively, in 2QFY23, which are significantly more than 1.0x, indicating that the company has good capabilities to manage its short-term obligations.

Price Performance



Source: Investing.com, Analysis by Kapitales Research

Compared to ordinaries and sector performance, DLI shares performed better than its sector and ordinaries index performance in 1 year and 3 year's timeframes. In 1 year and 3 years' time frame, the stock delivered a return of 23.08% and 310.26%.

Recent Development

1. On 04 September 2023, DLI announced that it has identified gold-copper bearing lodes proximity to known lithium bearing pegmatites at the Mt Ida Project. The company received the Gold and copper assay results from drill holes that were drilled to test lithium mineralisation. While lithium remains its central focus for the Mt Ida development, the company considers the high grade nature of the gold discovery as a significant and value adding opportunity.
2. On 23 June 2023, Delta Lithium Limited has provided an update regarding the Yinnetharra Lithium Project in the Gascoyne region of Western Australia, where the company holds 100% ownership. Notably, new assay results from the M36 pegmatite at the Malinda Prospect have revealed the highest-grade mineralization observed thus far at the Yinnetharra Project.

Outlook

The Yinnetharra Lithium Project of the company stands out as one of the most captivating lithium exploration projects in Australia. DLI has demonstrated an unprecedented pace in advancing this project, surpassing the historical progress of any other lithium exploration project. The company has assembled an exceptional team capable of achieving this feat. With its high-quality deposits and a proven track record in mining project development, DLI is poised to bring substantial advantages for future generations. The company's unwavering focus lies in expediting the project's development to capitalize on the current thriving lithium market.

Key Risks and Uncertainties

- Energy price risks.
- Interest rate risk
- Operational risk
- Credit risk
- Climate change related risk

Technical Analysis



Source: TradingView, Analysis by Kapitales Research

Company Name	Ticker	Sector	CMP (AU\$)	Advisory date	Rating	Target 1 (AU\$)	Target 2 (AU\$)	Stop Loss (AU\$)
Delta Lithium Limited	DLI	Materials	0.795	15 September 2023	Speculative Buy	0.910	0.990	0.690

The stock of material company DLI settled at AU\$0.795 on 15 September 2023 after a minor decline from the previous session's closing. It is currently trading between its 52-week price levels. The stock is trading above the significant exponential moving averages (EMA) of 20, 50, and 200 weeks on a weekly time frame, indicating bullishness for the mid-term. The stock is trading between the pivot resistance R1 (AU\$0.765) and pivot resistance R2 (AU\$1.055), holding a bullish momentum on a weekly time frame chart. RSI (14 weeks) is at 54, showing a bullish momentum in the index.

Based on these facts, buying can be initiated at the current market price (CMP) level for the potential targets of AU\$0.910 (previous swing resistance) and AU\$0.990 (previous swing resistance) in the coming days. Investors can book either full or partial profits at target one and wait for the stock to achieve target two (depending on their risk appetite).

Investors are advised to keep a strict stop loss at or below AU\$0.690 (previous swing support) to protect their investments in case of an unfavorable movement in the stock due to any uncertain event.

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

Investment Summary

Compared to the previous corresponding period, it has shown robust growth in its total revenue and net income in 1HFY23. By the end of 31 December 2022, the company witnessed a significant increase of 97.35% in its total assets. This notable growth can be attributed to substantial cash inflows and the company's property and plant assets expansion within the specified period.

Hence, after considering the facts mentioned above, investors are advised to have a "Speculative Buy" rating on the stock of DLI at the closing price of AU\$0.795 on 15 September 2023, with a target price of AU\$0.910 based on technical analysis.

Note: Kapitales Research Rating Star has been decided over the quantitative analysis of the stock. Maximum number of stars can be 5, with 5 for the top rating and 1 for the lowest rating.

Technical Indicators Defined:

EMA: Exponential Moving Average is the moving average that puts more weight on the most recent data points. $EMA = \text{Closing price} * \text{multiplier} + EMA(\text{previous day}) * (1 - \text{multiplier})$. For a 200-day exponential moving average, the multiplier can be calculated with the formulae i.e. $[2/(200+1)] = 0.0095$.

RSI: Momentum indicator, Relative Strength Index is used to evaluate the overbought or oversold nature of an asset by measuring the magnitude of its recent price changes.

Bollinger Band: A technical analysis tool that uses two parameters i.e. period (default is 20) and standard deviations, forming a kind of price envelope depicting a range of upper price band and lower price band. This price band shifts according to the volatility swings, and it helps in identifying whether the underlying asset is in the overbought zone or oversold zone.

Support: This is a level or zone where the stock finds good demand indicating the buyer's strength.

Resistance: This is a level or zone where the stock finds a good supply indicating the seller's strength.

Stop-loss: This is the level from where the investors should exit their positions to prevent any further losses in case of unfavorable movement in the stock prices.

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

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