

A triple play deal for battery materials between Canada and Korea prove critical minerals incentives work

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When we started writing the [Dean's List series](#) back in late July to highlight the burgeoning government support for critical minerals, supply chain and EV battery manufacturing, I had no idea how quickly that support would start turning into tangible deals for producer supply agreements. Sure, the first big facility announcement was way back in March with the Stellantis, LG Energy Solution [C\\$4.9 billion electric vehicle battery plant](#) in Windsor, Ontario, and there have been numerous deals announced in the interim both North and South of the 49th parallel for various multi-billion dollar facilities. But what happened on September 22 and 23 appears to have taken things to another level for the producers of the materials that go into EV batteries.

The aforementioned South Korean LG Energy Solution Inc. (LGES), a leading global manufacturer of lithium-ion batteries for electric vehicles, mobility, IT, and energy storage systems, [announced three agreements](#) in a span of 24 hours with Canadian miners to source materials required to make batteries for EVs. It appears the [Inflation Reduction Act](#), which requires that 40% of battery components be sourced from factories in the U.S. or its free trade agreement partners and that Chinese components and minerals be phased out beginning in 2024, has lit a fire under those who want to lead the charge to manufacture EV batteries for North American built vehicles. Given where demand

is forecast to go over the next 5 to 10 years, these three deals could just be the tip of the iceberg as other manufacturers follow suit.

The first “winner” of the LGES battery supply lottery was [Electra Battery Materials Corporation](#) (TSXV: ELBM | NASDAQ: ELBM). Electra is a processor of low-carbon, ethically-sourced battery materials who is currently commissioning North America’s only cobalt sulfate refinery. Their deal is [a three-year agreement](#) to supply LGES with 7,000 tonnes of battery grade cobalt from 2023 to 2025. Electra will supply 1,000 tonnes of cobalt contained in a cobalt sulfate product in 2023 and a further 3,000 tonnes in 2024 and 2025 under an agreed pricing mechanism. Cobalt sulfate provided under the term of the contract with LGES will be sufficient to supply up to 1.5 million full electric vehicles. In addition to the supply agreement, Electra and LGES have agreed to cooperate and explore ways to advance opportunities across North America’s EV supply chain, including, but not limited to, the securing of sustainable sources of raw materials.

Next up for LGES was a pair of lithium supply deals. We’ll explore the [Avalon Advanced Materials Inc.](#) (TSX: AVL |OTCQB: AVLNF) news first, mainly because it was the first company highlighted on the [Dean’s List](#), so indulge me while I pat myself on the back. Avalon is a Canadian mineral development company specializing in sustainably produced materials for clean technology. Avalon is currently focusing on developing its [Separation Rapids Lithium Project](#) near Kenora, Ontario while continuing to advance other projects, including its 100%-owned [Lilypad Cesium-Tantalum Lithium Project](#) located near Fort Hope, Ontario. The Company signed a non-binding [memorandum of understanding](#) (MOU) with LGES to supply battery-grade lithium hydroxide starting in 2025. The MOU would see Avalon commit, for five years initially, to provide LGES with at least 50% of its

planned initial lithium hydroxide production from its Thunder Bay facility (11,000 tons per year), with the potential to increase production as demand grows.

The second lithium, and third overall deal for LGES in a 24 hours span was with [Snow Lake Resources Ltd.](#) (NASDAQ: LITM). Snow Lake is committed to creating and operating a fully renewable and sustainable lithium mine that can deliver a completely traceable and carbon neutral product to the North American electric vehicle and battery markets. The [Thompson Brothers Lithium Project](#) now covers a 55,318-acre site and contains an identified-to-date 11.1 million metric tonnes indicated and inferred resource at 1% Li₂O. Snow Lake signed a [non-binding MOU with LGES](#) to supply lithium hydroxide (20,000 tons per year) over a 10-year period once production starts in 2025. The deal between the two entities will see them collaborate to explore the opportunity to create one of Canada's first lithium hydroxide processing plants in CentrePort, Winnipeg, Manitoba.

It should be noted that the Electra deal is a binding term sheet, while the other two are non-binding MOUs. Investors need to understand that there is a lot more certainty to the Electra deal than the other two which is likely why, as of yesterday's close, Electra was still up 2% versus where it was trading before the LGES announcement while Avalon was down 6% and Snow Lake down 18% versus pre-LGES announcement trading. Not to take anything away from the non-binding deals, they are still very important and a positive sign for these companies, but the market isn't very forgiving these days so there is definitely value in certainty. For Avalon that certainty is anticipated to come with a definitive supply agreement, which is intended to be finalized in no later than 6 weeks. I could not find confirmation of timing to firm up commitments in any of Snow Lake's press releases.