As Neo Lithium Works Towards Final Feasibility, CATL Maintains Ownership Stake

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This week Contemporary Amperex Technology Co. Limited (CATL) announced it was maintaining its 8% ownership stake in Neo Lithium Corp. (TSXV: NLC | OTCQX: NTTHF | FSE: NE2) by completing a C$2.6 million equity investment that was triggered after Neo Lithium closed a C$30.2 million financing last month.

CATL completed its original investment of C$8.5 million, representing an 8% equity stake, in Neo Lithium, in September 2020.

CATL is a leader in the development and manufacturing of lithium-ion batteries, with divisions covering production, research & development, and sales of battery systems for electric vehicles (EVs) and energy storage systems. According to a report by SNE Research in 2020, CATL ranked number one in terms of EV battery consumption volume for four consecutive years.

Neo Lithium is advancing its 100% owned Tres Quebradas (3Q) project, a high-grade lithium brine lake and salar complex in Argentina. The 3Q Project is located in Latin America's "Lithium Triangle" and covers 350 KM^2 (~86,500 acres) in the largest lithium-producing area in Argentina.

Source:

Recent Financing Accelerates Project

Last month, Neo Lithium closed a C$30.2 million bought deal financing. The Company intends to use the net proceeds from the financings to fund development work at the 3Q Lithium project and begin construction of the larger evaporation ponds with a view of getting the project into production by 2023.

The 3Q Project

The 3Q Project is one of the highest-grade lithium deposits in the world with an average grade of over 1000 mg/litre of lithium.

The project also has a large Proven & Probable Reserve of 1.2 million tonnes of LCE, from a larger Measured & Indicated Resource of 4.0 million tonnes, and also has an Inferred Resource of 3.0 million tonnes of LCE.

Extraction of lithium from liquid brine reservoirs involves pumping the brine from underground into evaporation ponds. Through evaporation over a period of a year or until most of the water has been removed, the concentrated brine is further processed in a plant into lithium carbonate.

Neo Lithium has been operating test evaporation ponds for more than three years and a pilot lithium carbonate plant for almost two years.

In January, Neo Lithium announced that its Pilot Plant produced Battery Grade lithium carbonate to 99.797% purity, up from 99.599% previously. According to the Company, the purity and quality already meet worldwide premium specifications and are very close to CATL's high standards of product quality.

The process improvement is expected to reduce capital and operational costs while minimizing power, reagent, and water consumption.

Source:

Robust Pre-Feasibility with Full Feasibility Due in Q3 or Q4

In March 2019, Neo Lithium released a pre-Feasibility Study on the 3Q Project that included an initial Capital Expenditure of US$319 million, an after-tax Net Present Value (NPV) of US$1.14 billion, and an Internal Rate of Return of 49.9% over a 35-year mine life that would produce 20,000 tonnes of lithium carbonate per year and annual EBITDA of US$167 million.

The company is on track to deliver the Final Feasibility Study in the late third quarter of early fourth quarter this year.

EV and Lithium Market

Electric vehicles currently represent less than 4% of the market share but are expected to grow to 30% in the next 10 years.

Lithium is a key material for rechargeable batteries that will be part of the global energy transformation to electric vehicles from fossil fuels cars.

The accelerating EV demand could tighten the current supply of lithium in the market so lithium producers need to come on stream to help meet demand.

Final Thoughts

With the recent financing, Neo Lithium has a significant cash position of approximately C$59 million although it plans to spend at least C$30 million this year to advance the construction of the evaporation ponds.

Upcoming milestones for the year include the construction and environment permits, the Final Feasibility Study, and a larger

financing of approximately C$260 million to fund the construction of the processing plant.

The Company is in a solid position to benefit from the increase in demand caused by the shift towards the electrification of transportation.

Neo Lithium closed just shy of C$3.00 and below its 52-week high of C$3.88 with a market capitalization of C$382.9 million.