It’s all in the name – Critical Elements Lithium

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There has been a lot of talk about Lithium (Li) over the last several months. We are all familiar with Lithium-Ion batteries in our laptops, cell phones, tablets, power tools and of course electric cars. But have you ever wondered why that is or are you like me (until now) and just took it for granted. Turns out Lithium has the highest electric output per unit weight of any battery material which is why it is the standard material for lithium-ion (high energy-density rechargeable) batteries. It also happens to be the lightest of all metals making for a pretty good one-two punch to be used in battery technology. The point is, until there is a material technological breakthrough, Lithium will be leading the charge towards electrification of our society.

To that end, the demand side for Lithium looks to be skyrocketing over the next several years/decades. Here’s some great information on this courtesy of InvestorIntel’s own Jack Lifton in this article. As well there is a whole lot of supply chain questions that have been raised by both the pandemic and Chinese dominance of many of the critical battery materials leading to a noticeable shift towards “home grown” supply. Jack Lifton covers this issue in a video that’s also worth a view here, where he discusses how the policy of the US government is to prioritize the production of critical materials either in the United States or in friendly countries that are allied with the US. Additionally, at this year’s virtual PDAC Canada announced its own list of minerals (including Lithium) considered critical for the sustainable economic success of Canada and our allies. Canada’s Minister of Natural Resources is quoted as saying

“Canada’s list signals to investors where Canada will focus and where Canada will lead. Critical minerals will get us to net-zero.”

Needless to say, there should be a bit of a premium to North American BEV (battery-powered electric vehicle) manufacturers to have a convenient and stable source of this important material. Perhaps even more importantly, critical minerals and their development has the support of the Federal government. Enter Critical Elements Lithium Corporation (TSXV: CRE | OTCQX: CRECF). A Quebec based junior mining company with its flagship Rose Lithium-Tantalum project located in James-Bay, Quebec. The company has one of the most advanced Lithium projects in Canada and one of the purest lithium deposits globally. The company recently announced an update to its draft environmental impact assessment report in which the Committee concludes that the project is not likely to cause significant adverse environmental effects. This moves the Rose project one step closer to obtaining the final authorization and keeping Critical Elements on pace to start mine construction in 2021 and see first production by late 2022/early 2023.

In 2017, Critical Elements completed a feasibility study on Rose Phase 1 for the production of high quality spodumene concentrate with an internal rate of return for the project estimated at 35% after tax, a net present value estimated at C$726 million (8% discount rate) and a three year payback. Those are some robust numbers but it’s going to be expensive to bring this project into production. The initial capital cost is estimated at C$341 million including all infrastructure with a 10% contingency. Correspondingly, in January 2021, the company announced it has engaged Cantor Fitzgerald Canada Corporation to pursue, engage and evaluate global strategic partners and investors to advance the Rose Project to production. Given the outlook for Lithium, it’s plausible to conceive that Critical Elements will be able

to pick and choose the best deal for themselves to get the project financed (has anyone put a call into Elon Musk?).

In addition to the appeal of owning a company that could have a world class Lithium mine in full production by 2023 (and a meaningful rerating opportunity that goes with that), there is still some speculative upside from the companies 8 other projects. Even better, Critical Elements just announced an option agreement that gives Lomiko the right to acquire up to a 70% interest in the Bourier project. This agreement will allow the Bourier property to be explored in detail for battery minerals discoveries, such as Lithium, Nickel, Copper and Zinc while Critical Elements stays focused on goal #1 – the Rose Lithium-Tantalum project. However, with roughly $8 million dollars in cash, a financing decision has to be made to continue moving this exciting North American Lithium mine moving forward.