With lithium demand forecast to increase 10x's this decade, Neo Lithium steps up to the mark

written by InvestorNews | May 25, 2021

2021 Electric vehicle (EV) sales continue to smash records, notably in China and Europe. Global electric car sales for March 2021 were up 173% YoY, reaching 8.2% share, and the second best month ever. Europe sales rose 169% YoY, reaching 16% share, while China sales rose 244% YoY, reaching 11% share. In April China EV sales jumped 173% YoY and reached 10% market share. Booming EV sales means booming demand for EV metals, such as lithium, cobalt, graphite, nickel, manganese, copper, and neodymium and praseodymium (NdPr).

As a result of the impending decade long EV boom analysts continue to increase their EV metals demand forecasts. UBS and others are **forecasting lithium demand to surge 10-11x this decade.** To meet the surging demand new lithium mines will be needed, especially from 2023 onwards as the market potentially heads into deficit. One lithium junior, with the world's largest battery manufacturer CATL as a strategic investor, looks poised to potentially fill this supply gap and become a 2023/24 lithium producer.

The company is Neo Lithium Corp. (TSXV: NLC | OTCQX: NTTHF).

Neo Lithium 100% own, and has fully paid, their 3Q lithium brine project in Argentina. The 3Q Project is very large in size and has the 4th highest lithium grade globally, or the 3rd highest if counting only their high grade core. Proven & Probable

reserves are 1.3 million tonnes of Lithium Carbonate Equivalent (LCE). The M&I Resource is 4.0 million tonnes of LCE. The mine life is forecast at 35 years taking into account only 1/3 of the known resource. The 3Q Project has the lowest level of impurities globally which should result in industry low operating expenses. The 3Q Project has an outstanding PFS, including a post-tax NPV8% of US$1.144 billion, post-tax IRR of 49.9%, and CapEx of US$319 million, based on 20,000t pa LCE production, and assuming a life of mine lithium carbonate average price of US$11,882/t. Current lithium carbonate prices are at US$13,000/t. Payback on the 3Q project is just 1 year and 8 months. The 3Q project is at a quite advanced stage with pilot ponds and established infrastructure.

Final Environmental permit for construction has been presented to the government and is in the process of approval. CATL now has board representation (Mr. Tang Honghui) and input into the current Feasibility Study (FS) due for completion in Q3 2021. CATL has a board nomination right pursuant to the strategic investment and investors rights agreement signed with the Company that closed on December 16, 2020. After the FS is released and assuming the environmental permit is granted, it would be fairly reasonable (not guaranteed) to expect some major moves forward towards project partner/project funding, most likely from CATL or affiliated funding groups.

In Neo Lithium's most recent news the Company announced that they are expanding and optimizing the Pilot Ponds at the 3Q Project. Neo Lithium stated:

"The Company completed five years of pilot pond evaporation and design to be able to bring the latest technology to the new pilot pond system. Results confirm less than one year of evaporation from in-situ brine to final ~3.6% lithium brine concentration prior to shipment to the carbonation plant. The

new pilot pond system will test different technologies to lower total cost of industrial scale ponds by making ponds smaller and more efficient."

Neo Lithium COO, Gabriel Pindar, stated:

"As we get closer to completing the Definitive Feasibility Study, we move our pilot system to a final piloting system that is efficient, lower cost, consumes no fresh water or reagents and requires less capital cost to produce than other comparable projects."

Neo Lithium look set to be the next major lithium brine producer after LAC/Ganfeng

Source: Neo Lithium website

For lithium brine producers the two main aspects are the brine evaporation using evaporation ponds, then the final processing plant where impurities are removed. Neo Lithium is advancing very well on the ponds and once funded for project construction can build the processing plant. Neo Lithium has already proven they can produce battery grade lithium carbonate at 99.599% purity.

Closing remarks

It looks like all the pieces of the puzzle are now coming together very nicely for Neo Lithium. Successful pilot ponds achieving fast brine evaporation (pilot scale), low impurities and ability to produce battery grade lithium carbonate, rising lithium demand and prices, abundant cash reserves (as of April 1, 2021 cash was C$59 million) and the world's largest battery manufacturer CATL as a strategic investor and taking a seat on the board.

CATL recently increased their initial investment to maintain its 8% ownership in Neo Lithium with a C$2.6 million investment at C$3.05/share. When the world's largest lithium-ion battery manufacturer chooses you there can be no greater endorsement.

Neo Lithium trades on a market cap of just C$348 million and remains one of the very best potential near term lithium producers for investors to consider. 2021 should be a landmark year for Neo Lithium.

Disclosure: The author is long Neo Lithium Corp. (TSXV: NLC).