

# China pays full value for Neo Lithium. Here comes the bull market.

Friday post-market we had significant news in the critical materials market. Zijin Mining Group Co., Ltd. and Neo Lithium Corp. (TSXV: NLC | OTCQX: NTTHF) (FSE: NE2) announced that they have entered into a definitive agreement pursuant to which Zijin has agreed to acquire all of the outstanding shares of Neo Lithium at a price of per share of C\$6.50 in cash.

The offer price represents a premium of approximately 36% over Neo Lithium's 20-day volume-weighted average price. The total cash consideration for all of the outstanding equity of Neo Lithium is approximately C\$960 million.

That is a phenomenal deal for shareholders as just one year ago, the company was trading at a mere C\$0.60 per share and this offer is double the share price in June 2021. In May 2019, the company released a 374-page Pre-Feasibility Study for the company's flagship Tres Quebradas (3Q) lithium brine project in Catamarca, Argentina, valuing the project at \$1.14 billion with a post-tax 49.9% IRR. Full value recognized and received.

The Neo Lithium project, which is located in the so-called "Lithium Triangle", is where an estimated 40% of global lithium production originates in an area that holds more than 90% of the world's lithium brine resources. Neo Lithium owns 100% of the project.

In a recent column on InvestorIntel, Neo Lithium was identified as one of the top five lithium development and exploration companies for 2021. The 3Q project is outstanding globally as it has the highest grade lithium deposit in

Argentina (3rd-4th highest in the world) with the lowest critical impurity content in the world. The company established pilot plant production in September 2019 and saw battery-grade lithium carbonate (99.6% pure) in March 2020 and produced 99.9% pure lithium carbonate in June 2021, which contributed to the share price increasing from the \$2.50-3.00 range to current levels.

Recall that in September 2020, the company welcomed a leading Chinese battery manufacturer and technology company, Contemporary Amperex Technology (CATL) as an 8% shareholder and strategic partner. This allowed Neo Lithium to strengthen the company balance sheet and provided industry expertise as the project was moving towards a Definitive Feasibility Study and planning for full-project construction and financing.

Is this the right time to sell for Neo Lithium? In the news release announcing the transaction, Neo Lithium's President and CEO revealed that the company had conducted a thorough strategic process and selected Zijin Mining for (among other things) their track record of developing assets in a responsible manner respecting the interests of local employees, communities and authorities. With an estimated \$247.7 million of start-up capital required, this is the next logical step.

The transaction is subject to the receipt of certain government, regulatory, court and stock exchange approvals, including approval by relevant authorities in China and Investment Canada Act approval, and other closing conditions customary in transactions of this nature. Notwithstanding recent Sino-Canada tensions, this transaction should be swiftly approved.

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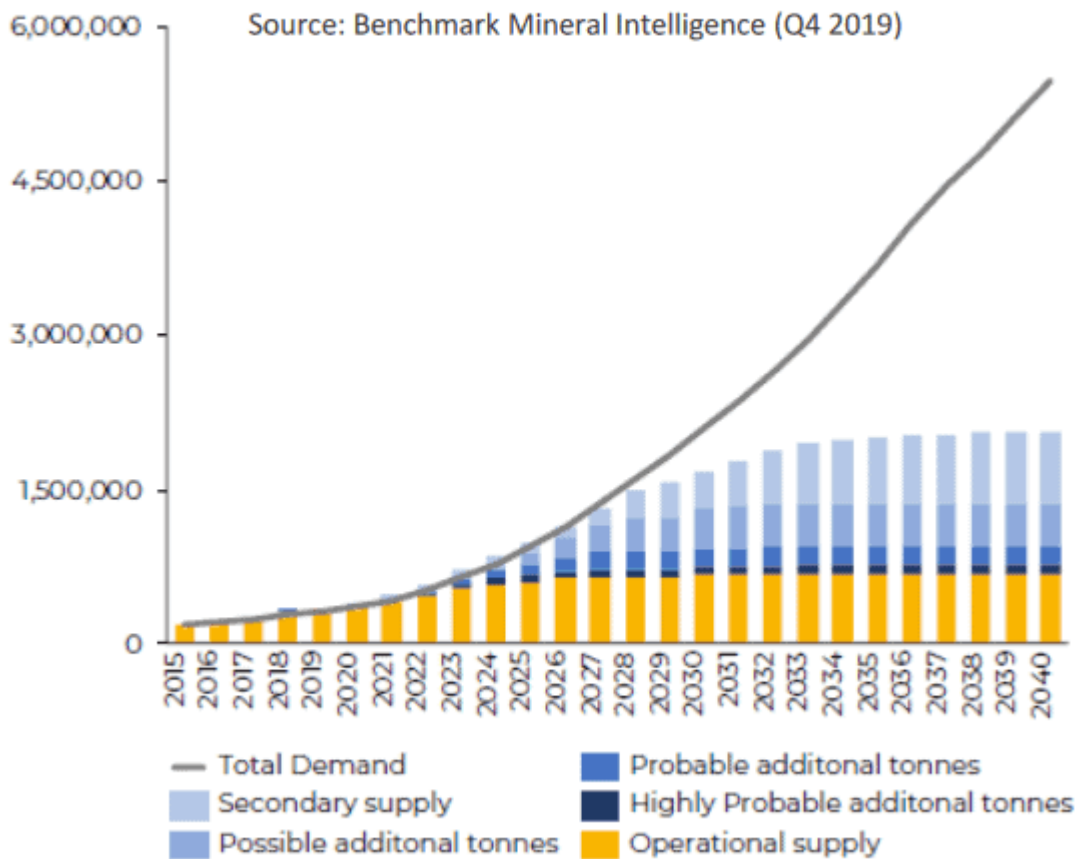
# **Announced today the UK gasoline and diesel car sales ban by 2030 is a strong tailwind for Neo Lithium**

Today the U.K. Prime Minister Boris Johnson announced about his ten point green plan. Perhaps the two biggest parts of the plan are – **“UK sales of new gas and diesel cars to be banned from 2030”** and **“quadruple U.K. offshore wind production to 40GW by 2030”**. The implications for the electric vehicle (EV) and wind sectors are enormous. One common denominator for EVs and wind energy is that they need batteries to store the energy. This means demand for batteries and for battery metals such as **lithium** is set to boom this decade. In the US, also announced today, a group of more than two dozen utilities, EV-charging companies, battery suppliers and EV manufacturers have formed the Zero Emission Transportation Association (includes Tesla) calling for emissions caps and 100% EV sales in the USA by 2030.

Even prior to today’s announcements the lithium sector has been forecast for demand to increase “more than six times” this decade (from 2019 levels to end 2029), as the EV and energy storage booms take off. The chart below was done before the latest news of a Biden victory and the Johnson Green Plan, meaning that the demand curve will likely be significantly larger.

**Lithium looks to be heading towards very large deficits later this decade as demand soars**

## Lithium Market Balance (tonnes LCE)



### Source

With all of this demand for lithium in the years ahead one company looks extremely well placed to ride the next wave of the lithium boom. That company is Neo Lithium Corp. (TSXV: NLC | OTCQX: NTTHF).

Neo Lithium 100% own (and has fully paid) their Tres Quebradas ("3Q Project") lithium project in Argentina. The Project is a standout for numerous reasons.

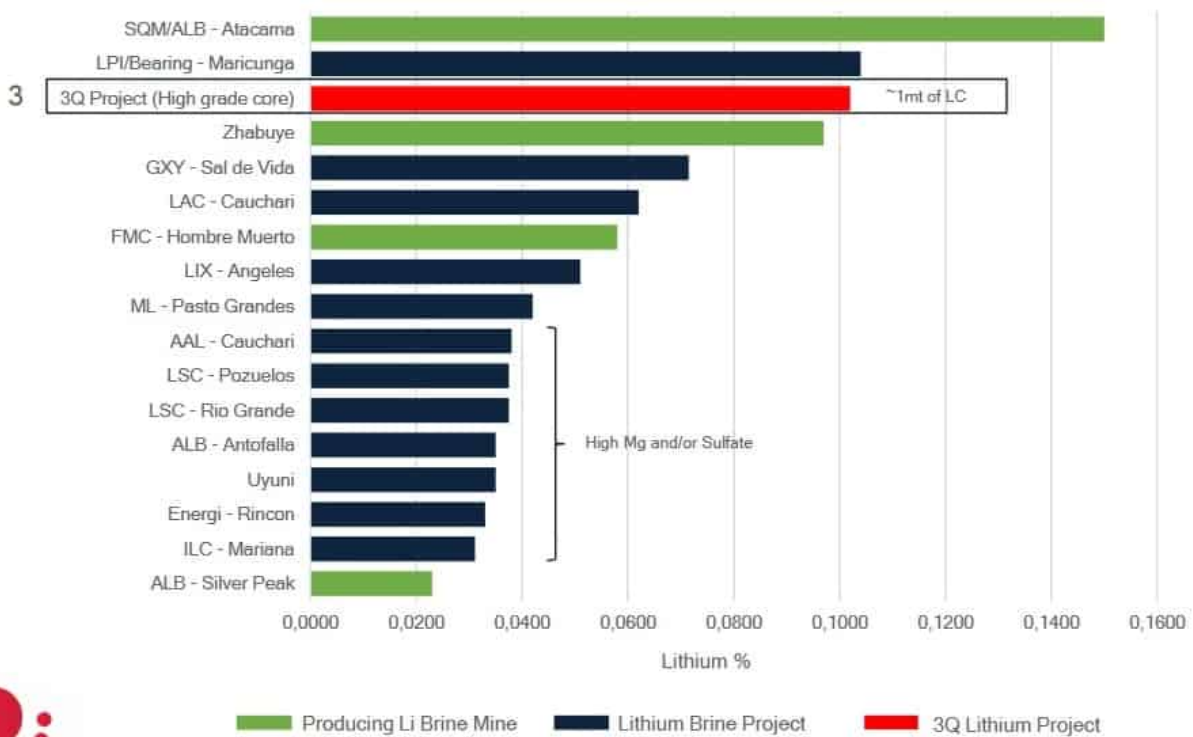
- Neo Lithium 100% own the entire salar, which covers 160Km<sup>2</sup> (6th largest salar in the world).
- The 3Q Project has high grade lithium brine (3rd-4th highest globally).
- The 3Q Project has extremely low impurities (the lowest globally). This should result in 3Q having very low capital intensity to develop and industry lowest

quartile operating expenses (OpEx).

- The 3Q Project is already at a fairly advanced stage and looks set to be a likely near term lithium producer.

## Neo Lithium's 3Q Project ranks 3rd-4th for the highest lithium brine grades globally

- The high-grade core of the 3Q Project is the 3<sup>rd</sup> highest grade project worldwide and the 4<sup>th</sup> based on the average grade of the deposit
- The high-grade core has significant blue sky



Source

Neo Lithium looks set to be the next major new lithium brine producer following Lithium Americas



Source

The 2019 amended Preliminary Feasibility Study (PFS) resulted in a post-tax NPV8% of US\$1.14 billion and IRR of 49.9%, payback of < 2years with a 35 year mine life. The PFS was based on an initial 20kt pa lithium carbonate production and has a CapEx of US\$319M and OpEx of US\$2,914/t lithium carbonate. These are excellent numbers.

Neo Lithium has another huge plus going for them. That is, China's and the world's largest battery manufacturer, Contemporary Amperex Technology (CATL), is a strategic investor in Neo Lithium with an 8% equity stake and board representation.

The 3Q Project is quite advanced with some pilot ponds already constructed and a lot of infrastructure already in place. The Environmental Impact Statement (EIS) is currently under assessment with results due out soon. The Feasibility Study (FS) is underway and is due out by end Q2, 2021, assuming no COVID-19 disruptions.

CATL will also be a part of the technical committee that will be leading the FS forward. While this does not yet guarantee CATL off-take rights it puts them in a prime position. Once the FS for the 3Q Project is completed, I strongly suspect that CATL will assist in the financing plan for the future construction of the 3Q Project, and collect significant

lithium off-take rights. CATL is a very large company with over US\$60 billion in market capitalization and over US\$3 billion in cash. Also of relevance was yesterday's announcement that CATL will invest \$5.1 billion for a battery factory in Indonesia. No doubt it will need plenty of lithium.

### **Closing remarks**

Neo Lithium's 3Q Project is arguably the best and next lithium brine project set to go into production after Lithium America's Cauchari-Olaroz Project, both in Argentina. Management is top tier led by Waldo Perez, who discovered both the projects mentioned just above. If all goes well with the FS, CATL relationship, and project funding, it is possible to see Neo Lithium commence production by late 2022 or early 2023. This would be perfect timing as the EV boom should be taking off at that time as EVs and Internal Combustion Engine vehicles reach purchase price parity. The UK gasoline and diesel ban by 2030 and the US Zero Emission Transportation Association call for 100% EVs by 2030 are all just icing on the cake.

Risks exist due to not yet being a producer and the risks involved with lithium prices and sovereign risk in Argentina.

Neo Lithium currently trades on a market cap of C\$182M. Investors should not wait too long as the EV trend is very rapidly gaining momentum (notably in China, Europe, UK and USA) and quality lithium miners like Neo Lithium have potential to be huge winners this decade.

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

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# Global leader in lithium-ion batteries invests in what many believe will be the next major lithium producer

There is a very high probability you are reading this on your smartphone, tablet or laptop. If that is the case, you know the value of lithium, because it's in the battery powering your device.

Until some better storage system comes along, lithium-ion batteries are the industry standard. There is much talk about improving lithium battery performance using platinum group metals, carbon nanotubes etc., but that is not now.

Lithium is not like oil – it's pretty much everywhere on Earth, according to Elon Musk. But like oil, the devil is in the details – extraction costs are key.

Enter Neo Lithium Corp. (TSXV: NLC | OTCQX: NTTHF), a C\$110 million market capitalization company that proudly proclaims to be “the next major lithium producer” with its Tres Quebradas (3Q), located in the Lithium Triangle in South America. The project is located at the southern end of the triangle in northern Argentina.





Source: Neo Lithium

Lithium is mainly sourced via hard rock mining (spodumene) or brine production. The majority of the mining projects are located in Australia while brine production is centered around the Lithium Triangle, which has an estimated 75% of global lithium reserves according to the US Geological Survey, although other reports state that the area only contains just over 50% of global reserves. In any event, the area does

account for 40% of global lithium production and 90% of global brine production.

Brine production of lithium in South America is in the high altitude (~4,000 meters elevation) salt flats (salars) in the Lithium Triangle and is accomplished through a pond evaporation process. The Lithium Triangle is ideal for this, as it is characterized by very arid conditions, solar radiation and dry winds, resulting in high evaporation rates. Lithium brine extraction in the area has been underway for more than 25 years, so this is not “new” technology.

Like any commodity, the view to significantly increased demand in the past 5 years resulted in a rush to develop new lithium mining projects. This led to an oversupply situation and a significant downturn in lithium prices in 2019. But, with the rush to electric vehicles, absent any new battery technology, experts anticipate a ten-fold increase in demand for lithium over the next decade and only a three-fold increase in supply in the next five years – demand could outweigh supply and result in significantly higher lithium prices.

OK – now you understand...lithium may be a great place to invest for the future.

Neo Lithium is well on its way to becoming one of the next lithium producers in the Lithium Triangle. The Tres Quebradas project is 100% owned by the company and was discovered in 2015, so this is not something that is just a concept project. A preliminary economic assessment was completed in late 2017 and an updated resource estimate (NI 43-101) was completed in July 2018 with a 227% increase in Measured and Indicated categories. The results of a Preliminary Feasibility Study were announced in March 2019 with a \$1.1 billion NPV at 8% discount rate (\$587 million NPV at 14%) and an Internal Rate of Return of 50%. In addition, a pilot plant began operations in 2019 resulting in 99.1 % lithium carbonate in the first batch, improving to battery grade lithium carbonate (99.6%

lithium carbonate) from the pilot plant in March 2020.

A long five year journey through discovery, evaluation, permitting and pilot plant has confirmed that this project has a high grade, low impurity deposit. The final feasibility study is currently underway and expected as early as Q1-2021 along with the final EIA for the final construction permit. The company believes that the Tres Quebradas project is the third highest grade project in the world and the chemical makeup of the deposit should result in low operating costs and resultant high profitability.

To confirm this sentiment, a subsidiary of Contemporary Amperex Technology (CATL), a leading Chinese battery manufacturer and technology company, entered into an equity subscription agreement in September 2020 to invest \$8.6 million in new equity in the company. CATL will have Board of Director representation and pre-emptive rights to participate in future equity offerings to maintain its proportionate ownership.

The investment by CATL increases the company's cash holdings to approximately \$37 million and aligns Neo Lithium with a significant global lithium-ion battery maker that specializes in the manufacturing of lithium-ion batteries for electric vehicles and energy storage systems, and battery management systems. It should also give the company access to additional expertise for future development.

There is no question that the world needs more lithium. As with any commodity, supply and demand are rarely in balance, so the best-in-class companies are always the lowest cost operators with the best resources. The company is one of 86 companies presenting at the 121 Mining Investment Online conference October 28-30, 2020. More exposure for a developing story and more investor interest is always good for a publicly listed company like Neo Lithium.