

A takeover bid to create a single technology disrupter in the lithium space?

The soap opera that is the ongoing takeover bid between ASX listed Lithium Australia NL (ASX: LIT) (“Lithium Australia”) and Lepidico Ltd. (“Lepidico”) continues.

Earlier this month, we informed our readers that the litigation between Lithium Australia and Lepidico had now ended by mutual agreement. Those that followed the case know that Lithium Australia had accused Lepidico of making false and misleading statements to the public in order to actively discredit the company’s position regarding its Sileach™ processing technology. Lithium Australia further asserted that the basis for making these statements was for the sole purpose of attempting to inflict commercial harm to Lithium Australia and stave off a potential takeover. Lawyers were involved on both sides, and when damages were settled, Lithium Australia moved in swiftly.

Aside from their differences, a case for a unified company is indeed compelling as it envisages a single technology disrupter in the lithium space, improved access to funding, and improved protection of intellectual property. Generally speaking, a stronger, more focused entity can emerge from two squabbling ones if the ensuing commotion is managed competently.

What investors need to be aware of is that although technology investments differ from mining investments, when the two are one and the same, it gets a little more complicated. While, theoretically, every mine could reach the production phase, when investing in technologies only a couple of solutions will emerge victorious; a problem is just a niche that a solution

hasn't yet occupied, and niches, by their nature, don't hold much.

As such, the risk of failure with respect to investing in technologies is arguably higher than the risks involved in mining. Sometimes, a technology may even prove entirely viable, but due to the lack of adoption, or some arbitrary preference for a competitor's product, the company may fail to get it off the ground at all. When considered from this perspective, the fact that Lithium Australia owns actual lithium properties which could benefit from their Sileach™ technology is a huge plus, and amounts to a clever vertical integration of their lithium product.

Typically, the technology that is first to market has the greatest penetration and presents the best economics; both yield and capex/opex will usually improve considerably. For this reason, having more than one technology in your portfolio spreads the investment risk, and following the court settlement, Lithium Australia launched their takeover bid for Lepidico seemingly with this in mind, shoring up around 18%* of Lepidico's stock by way of pre-bid sale agreements.

On the subject of the Lithium Australia bid, CEO, Adrian Griffin confirmed that the rationale behind launching the takeover was to provide the respective companies with a larger capital base and liquidity, and give them the potential to fast-track both technologies as opposed to arguing over who gets what. This, I agree, is absolutely critical if one wants to increase the chances of success in commercialising a new technology – simply get on with it.

On the 14th of March, Lepidico's share price close at \$0.013, with 1.75bn shares outstanding, implying a market cap of \$22.76m.

On the same day, Lithium Australia's share price was \$0.155, with 257.83m outstanding, implying a market cap of \$39.96m.

According to the bid statement sent by Lithium Australia to shareholders on the 2nd of March, the deal contemplates a share swap of 1 LIT share for every 13.25 Lepidico shares.

This implies a deal value of around \$20.46m, which represents a discount to the current market value of Lepidico.

While 18%* worth of pre-bid agreements is impressive, it would be surprising if Lithium Australia gets the 90% that is required to trigger a compulsory sale. I believe the thinking with respect to merging the companies is correct, but both companies need to consider carefully what the correct value is for this deal to go ahead. Should it do so, it represents a serious opportunity to get involved with Lithium Australia.

[Publisher's Note*: The 18% was in reference to Friday, March 17, 2017 by Analyst, Lara Smith.]

Avalon CEO on lithium partnership with Lepidico

Don Bubar, President, CEO and Director of Avalon Advanced Materials Inc. (TSX: AVL | OTCQX: AVLNF) in an interview with InvestorIntel's CEO Tracy Weslosky discussing the shape of the company in 2017 and their present endeavors involving the extraction and processing of lithium. They are currently working with Perth-based company, Lepidico, to develop new lithium extraction methods. Focused on creating market-ready battery materials from their Separation Rapids facility in Ontario, Don mentions lithium batteries as a source of renewable energy for home energy storage and the capacity for off-grid living. He also notes, moving forward, shareholders

should expect the construction of a demonstration pilot plant in 2018.

Tracy Weslosky: Don I would love it if you would just start by providing us with an overview on Avalon Advanced Materials for our audience...

Don Bubar: We continue to be a diversified player in the specialty minerals and metals space offering our investors and shareholders exposure to a broad range of these technology metals as they're often referred to. Right now, our big focus is on lithium for all the reasons that most of your listeners would be aware of now.

Tracy Weslosky: We are interested in lithium. We're really interested specifically in technology processes. Your most recent news release in February about a deal you have with a Perth-based technology company is of great interest to us. Can you tell us a little bit more about this?

Don Bubar: Yes. The company was Lepidico. We met them last fall and they told us how they're developing a new process for recovering lithium from lithium micas, including one called petalite that we have a lot of at our resource at Separation Rapids, but never really looked at in the past as an opportunity. They did some test work for us on it and that demonstrated that they can process that material and recovery a very high purity lithium carbonate product that looks like it could be a winner for us.

Tracy Weslosky: Of course, your lithium project is your Separation Rapids advanced lithium project. Is that correct?

Don Bubar: That's correct. We've been working on this project for most of the 20 years I've been running Avalon now, first as a producer of a lithium mineral for glass ceramics back in the 1990s. Obviously, now with the new demand for lithium in battery materials, that's creating a new opportunity for us to re-examine this resource and create a battery material product

for that market...to access the complete interview, [click here](#)

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Avalon ignites interest with high-purity lithium

NY based asset firm Lind: "the time is right to invest in Avalon"....

A project in the making since Clinton was president, Separation Rapids has had a difficult upbringing, but like a failing college student graduating with surprise honours, the site recently revealed its long-concealed potential, reigniting development and attracting considerable interest.

100% owned by Avalon Advanced Materials Inc. (TSX: AVL |OTCQX: AVLNF) ("Avalon"), Separation Rapids is one of the largest lithium-cesium-tantalum pegmatite deposits in the world, including an unusual density of the rare crystal-like mineral petalite, a source of high-purity lithium.

Since the results of a 2016 preliminary economic assessment ("PEA") confirmed that battery-grade lithium hydroxide could be reasonably and economically extracted from the resource, the project has gathered much more steam. More recently, major Australian processor Lepidico Ltd. have issued a letter of intent suggesting that they would purchase a minimum of 15,000 tpa for processing in their planned commercial facility. Additionally, Avalon have purchased a further 1,008 hectares of property from a neighbouring gold company.

According to the existing PEA, the mine has the potential to produce 14,600 tpa of lithium hydroxide for ten years, and another 100,000 tpa of feldspar mineral concentrates over twenty years. The discounted cash flow (“DCF”) analysis yields a 19% internal rate of return (“IRR”) on a pre-tax basis and a 16% IRR on an after-tax basis, assuming 100% equity financing. The Project’s net present value (“NPV”) at an 8% discount rate is CAD\$343 million pre-tax and CAD\$228 million after-tax.

Total Project construction capital costs are estimated at \$514 million, which is inclusive of \$86 million in contingencies and \$7 million in sustaining capital.

Lithium hydroxide is to be in increasing demand for its use in battery cathode chemistries, and with half of the world seemingly digging for the stuff, it’s never going to be bad news to find that you’re sitting on a fair amount of it already.

Petalite and lepidolite are not the only minerals of interest at the Separation Rapids project. Highly fractionated pegmatites, like the Separation Rapids deposit, contain many minerals of economic importance. The deposit has the potential for recovery of several valuable by-products including high purity silica, feldspar, rubidium, cesium and tantalum. By-product recovery offers the possibility of significant increases to both revenue and efficiency.

Petalite is also the preferred lithium mineral feedstock for certain specialty glass-ceramic products precisely because of its consistently low impurity levels. This is essential if you want to serve the needs of lithium ion rechargeable battery manufacturers. Growing demand for rechargeable batteries in electric vehicles and home energy storage is expected to result in continued rapid growth in global consumption of lithium. Many industry analysts are predicting that the demand for lithium will double over the next 5-10 years, creating a supply deficit, as existing producers struggle to meet the new

demand.

No surprise, then, that Avalon scored C\$2.5m in a private placement deal earlier this month from New York based asset firm Lind; Phillip Valliere, Managing Director at Lind, had this to say:

*“We have been following Avalon’s progress for several years and, having developed confidence in the management team, we feel **the time is right to invest in Avalon** as it advances both its clean-tech materials business at its Separation Rapids Lithium Project as well as its East Kemptville Tin-Indium Project which is expected to be in a position to generate cash flow within the next two years.”*