

With lithium demand skyrocketing here are 5 early-stage lithium junior miners to watch

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With lithium demand projected to increase [10-11](#) fold this decade, there is a huge opportunity for successful lithium junior miners to prosper. Last year Rio Tinto was [quoted as saying](#) that “filling the supply gap will require over 60 Jadar projects”.

Then just last month Tesla CEO Elon Musk said (Tesla Q1 2022 earnings call [transcript](#)): “...can more people please get into the lithium business? Do you like minting money? Well, the lithium business is for you...” Musk also [said on Twitter](#): “Price of lithium has gone to insane levels! Tesla might actually have to get into the mining & refining directly at scale unless costs improve.”

Of course, industry experts have been warning of EV metals supply deficits for some years, but it appears these warnings mostly fell on deaf ears. With this background in mind, today we take a look at some early-stage lithium junior companies with the potential to help fill the lithium supply gap in the second half of this decade.

China lithium carbonate spot prices – up about 6x over the past year due to lithium shortages



Source: [Trading Economics](#)

5 early-stage lithium junior miners to watch out for in 2022 (in no particular order)

1. Essential Metals Limited (ASX: ESS)
2. Green Technology Metals Limited (ASX: GT1)
3. Metals Australia Ltd. (ASX: MLS)
4. Lithium South Development Corporation (TSXV: LIS | OTCQB: LISMF)
5. Winsome Resources Limited (ASX: WR1)

Essential Metals Limited (ASX: ESS)

Essential Metals is an Australian exploration company with 9 projects (lithium, gold, gold JV, and nickel JV) all in Western Australia (WA). Three of the projects are 100% owned and 6 are JV's with other companies, with ESS retaining a 20-30% interest (see below).

Essential Metal's flagship project is their 100% owned [Pioneer Dome Lithium Project](#) in WA. The Project is located in a known lithium corridor and the gold-rich Eastern Goldfields region of WA, which contains the Mt Marion, Bald Hill and Buldania lithium mines/projects. The Project has a reasonable sized JORC compliant [Total Resource of 11.2Mt at 1.21% Li2O](#), still with exploration upside. The Resource starts from or near surface. Drill assay results from the recent campaign are due out by the [end of May 2022](#).

Essential Metals also has two other 100% owned gold projects in WA, namely the [Golden Ridge Project](#) (100% owned), 20kms from the Kalgoorlie super pit and the [Juglah Dome Project](#), 60km east-southeast of Kalgoorlie. In addition, the Company has numerous JV projects including [Acra Gold Project JV](#) (25% interest), [Kangan Gold Project JV](#) (30%), [Balagundi Gold Project Farmin/JV](#)

(25%), [Larkinville Gold Project Farmin/JV](#) (25% gold interest) (hosts a JORC Resource of 19,700 t @ 3.02 g/t for 11,600 oz. Au), [Blair-Golden Ridge Nickel Farmin/JV](#) (25% nickel interest) and [Wattle Dam Nickel Joint Venture](#) (20% nickel interest).

Essential Metals trades on a market cap of [A\\$162 million](#).

Essential Metals summary showing the Pioneer Dome Lithium Project location near other successful lithium mines and projects in WA



Source: [Essential Metals company presentation](#)

[Green Technology Metals Limited](#) (ASX: GT1)

Green Technology Metals (GT1) has multiple lithium projects (options to acquire, some at 80% interest others at 100% interest) spread over [39,982](#) hectares in Ontario, Canada. GT1's most advanced project is the Seymour Lithium Project with a JORC Total Mineral Resource of [4.8Mt @ 1.25%](#). Within the Seymour Project, drill results include an impressive [40m @ 1.54% Li2O](#). When combining all GT1's Ontario Lithium Projects the target resource is 50-60 MT @ 0.8-1.5% Li2O.

An updated resource estimate is targeted for Q2, 2022. Management is top tier and highly experienced.

Green Technology Metals trades on a market cap of [A\\$212 million](#).

GT1's portfolio of multiple lithium projects in Ontario Canada



Source: [GT1 website](#)

[Metals Australia Ltd.](#) (ASX: MLS)

Metals Australia is an Australian junior miner with several projects. Their most advanced project is the [Lac Rainy Nord Graphite Project](#) in Quebec, Canada with an Indicated and Inferred Resource of [13.3Mt at 11.5% TGC for 1.529M tonnes of contained graphite](#).

With regards to lithium, Metals Australia 100% owns the promising Manindi Lithium and Zinc Project in WA. The Project has several lithium-cesium-tantalum (LCT) pegmatites spread over a total [3km strike length](#). Individual pegmatites have strike lengths of over 300m and widths of up to 25-30m. Past drilling includes intersections of [15m @ 1.2% Li₂O, 117 Ta₂O₅ from 34m](#). Drilling is ongoing notably at the Foundation pegmatite where consistently high grade lithium grab samples ([1% Li₂O and >0.4% Rb](#)) have been detected over the entire 500m strike length. Assay results are expected shortly. Manindi also has an existing JORC 2012 Resource estimate of [1.08Mt at 6.52% Zn, 0.26% Cu and 3.19g/t Ag](#).

Metals Australia trades on a market cap of [A\\$54 million](#).

[Lithium South Development Corporation](#) (TSXV: LIS | OTCQB: LISMF)

Lithium South Development Corporation (Lithium South) is already quite advanced at their 100% owned Hombre Muerto North Lithium Brine Project in Argentina. The Project lies near several billion-dollar projects such as Livent's lithium mine, Allkem's Sal de Vida project, and POSCO's quite new project purchased for US\$280 million. Hombre Muerto is the premiere salar in Argentina, known for very high grade lithium and very low impurities.

The Hombre Muerto North Project has an [M&I Resource of 571,000t contained LCE](#), with an excellent grade of 756mg/L, and a very low Mg/Li ratio of 2.6:1. [Drilling is about to begin](#) at their Alba Sabrina claim with results to follow most likely later in

Q2, 2022. The Resource has potential to grow significantly from here.

Lithium South trades on a market cap of only [C\\$68 million](#).

[Winsome Resources Limited](#) (ASX: WR1)

Winsome Resources is a lithium explorer focused on their 4, 100% owned, projects spread over [50,000 Ha](#) in Quebec, Canada. The Projects are Cancet, Adina, Sirmac-Clappier, and Decelles (option to acquire 100%).

The flagship Cancet Lithium Project has had outstanding previous drilling success and boasts a JORC [Exploration Target of 15-25Mt @ 1-2% Li2O + 100-250ppm Ta2O5](#). The past drilling includes 59 holes for 5,216m averaging ~70m drill depth defining a shallow high-grade lithium deposit. Drilling will continue in 2022 with a substantial maiden Resource estimated expected later this year.

Winsome Resources trades on a market cap of [A\\$66 million](#).

Summary of Winsome Resources 4 lithium projects in Quebec, Canada



Source: [Winsome Resources company presentation](#)

Closing remarks

Investing in early-stage lithium juniors carries higher risk and reward.

Of the 5 companies discussed in this article three (Essential Metals, Green Technology Metals, Lithium South Development Corp.) already have a lithium resource, one (Winsome Resources) has defined a lithium deposit with a resource estimate due later

in 2022, and the other (Metals Australia) has a graphite and a zinc-copper-silver resource with an exciting lithium project with drill results out soon.

I could also include [Avalon Advanced Materials Inc.](#) (TSX: AVL | OTCQB: AVLNF) in this group, but I already wrote on them recently [here](#), discussing their lithium projects, lithium resource, and plans for a JV lithium refinery in Thunder Bay which were given a huge boost recently as you can read [here](#).

Finally to answer Elon's question: "Can more people please get into the lithium business?" The problem is it takes at least 5-10 years to build a lithium mine from scratch. I will finish with two key quotes last month from lithium market experts:

- Benchmark Mineral Intelligence [was quoted stating](#): *"Battery capacity is currently growing at twice the speed of lithium raw material supply."*
- Mr. Lithium, Joe Lowry [was quoted stating](#): *"I believe there will be a day in the future when lithium is in oversupply, but it won't be in this decade....You can build a battery factory in two years, but it takes up to a decade to bring on a lithium project."*

Disclosure: The author is long ALL the lithium companies mentioned in this article and intends to hold long term.

Why have lithium miner stock

prices fallen when lithium prices have surged higher?

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Investing in the stockmarket is part science and part art. The science part refers to the fundamental analysis and the art refers more to the instinct/understanding and timing of investments. What truly sets great investors apart from the average are two things – Spotting a winning trend early and investing when there is a market disconnect caused by negative sentiment.

Today's article is about just that. The winning trend is the EV and lithium boom, and the disconnect is the recent lithium price gains while the lithium miners stock prices fell. Did you know that in the past 3 months lithium carbonate spot prices in China have more than doubled ([up ~125%](#)), yet lithium miners stocks have fallen in many cases by 25% or more in the same time period?

China lithium spot prices are up ~125% in the past 3 months and 10x the past 14 months



[Source](#): Trading Economics

The chart below shows the stock price falls of several lithium producers and one highly promising junior. In the past 3 months (as lithium prices more than doubled) Albemarle Corporation (NYSE: ALB) has fallen 32.40%, Livent Corporation (NYSE: LTHM) has fallen 28.43%, SQM (NYSE: SQM) is down 6.20%, Ganfeng Lithium (HK: 1772) is down 9.53%, and Lithium South Development Corp. (TSXV: LIS) is down 35.35%.

Leading lithium miners' stock prices the past 3 months have fallen significantly



Source: [Yahoo Finance](#)

Why have lithium miner stock prices fallen when lithium prices have surged higher?

The answer as to why is as follows:

- Several lithium miners sell their lithium on contract prices which are yet to properly reflect the market spot price for lithium. As these contracts expire they will be replaced with much higher contract prices or spot prices.
- Macro events and market sentiment – The general market has been selling off with the S&P500 down about 10% from its peak due to U.S. interest rates soon to rise and more recently the Russia-Ukraine crisis. Of course, this will pass and has almost zero impact on EV sales and/or lithium prices. In fact, current very high oil prices are helping EV sales. In my situation my new electric car costs me \$17 to drive 420kms compared to \$75 for my old gasoline car, that's about 4.5x less. Servicing costs are almost zero, with the main cost being tire replacements.

The recent disconnect between the more than doubling of lithium prices and lithium miners stock prices falling would only make sense if the sector was in trouble, yet EV sales are setting new records, up [108%](#) in 2021, and look set to grow well above 50% each year this decade. Lithium demand is forecast to grow [11x](#) this decade with most analysts forecasting growing lithium deficits. So we have a winning trend and a huge disconnect caused by macro factors (Russia-Ukraine conflict, rising US interest rates). Great investors can see this huge disconnect

and will move now to profit from it.

Two popular ETFs that track the stocks of EVs, batteries, lithium and EV metal companies also tell a similar story, having both fallen the past 3 months. The Global X Lithium & Battery Tech ETF (LIT) is now trading on a PE of just [26](#) and the Amplify Lithium & Battery Technology ETF (BATT) trades on a PE of only [21](#). Considering the sector's growth rate of well above 50%pa, this is plain crazy.

A final example could be Tesla (NASDAQ: TSLA). The stock is [down 26%](#) over the past 3 months despite reporting its best ever results in Q4, 2021 and smashing the competition. Tesla had an outstanding 2021 [growing revenues 71% YoY](#) and GAAP earnings by 665% YoY. Total vehicle production grew 83% YoY. 2022 looks to be even better for Tesla with 2 new gigafactories set to open and production likely to grow from ~936,000 electric cars in 2021 to somewhere near 1.7 million in 2022. One more key factor highlighting global EV demand, Tesla has an estimated [1.3 million pre-orders](#) for their Cybertruck. In total Tesla's pre-orders are so high that they don't even accept orders for Model Y in many countries as they cannot meet demand for some years.

Tesla's electric cars have huge waiting lists and well over 1.5 million pre-orders



Closing remarks

All forms of lithium prices (spodumene, Li hydroxide, Li carbonate) have been surging higher the past 14 months. In particular, the China lithium carbonate price has surged **125% higher** the past 3 months, while leading lithium miners and

others fell between 6% and 35%. Albemarle, the leading lithium miner, has **fallen 32%** in the past 3 months. This is a huge disconnect, and frankly what great investors dream of. I will be topping up my positions in the EV companies and lithium miners as the EV and lithium boom has only just begun and current macro events have opened up a huge buying opportunity for investors. The last time I saw this happen was in the March 2020 Covid-19 low, with many lithium stocks surging higher once market sentiment improved.

My view is that the lithium miners are currently like a tightly sprung coil. As soon as the market sentiment and macro issues improve that coil should spring open propelling lithium miners stock prices higher and closing the current huge disconnect.

Don't miss this opportunity to buy into 'white gold' as lithium becomes the most critical element of the modern era.

Disclosure: The author is long all the stocks and ETFs mentioned in this article.

Top 5 lithium junior mines with huge potential in a booming lithium market

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The lithium sector has been the standout of all sectors in 2021, led by lithium prices surging higher from about US\$7,000/t to around [US\\$30,000/t](#) in 2021. Ordinarily, you could expect prices to fall back to earth, but in this case, lithium demand is so

strong that prices are unlikely to fall back anytime soon.

Bloomberg recently [stated](#): “EVs have lithium booming – and this time, there is no bust in sight. Demand is expected to outstrip metal production for at least the next five years with few new mining projects on the horizon.”

Benchmark Mineral Intelligence recently [stated](#): “Right now lithium demand is growing at three times the speed of lithium supply.”

Furthermore, a November 2020 [UBS forecast](#) is for “lithium demand to lift **11-fold** from ~400kt in 2021 through to 2030.”

Lithium carbonate price graph showing the extraordinary 2021 price gains



Source: [Fastmarkets](#)

Given the above information, it makes very good sense to invest in the potential next tier of lithium miners. Added to this is the trend towards increasing market share of lithium iron phosphate (“LFP”) batteries, which will lead to greater demand for lithium carbonate, best sourced from lithium brine. Right now Argentina offers the best exposure to emerging lithium brine miners.

Top 5 lithium junior miners (in alphabetical order)

1. Alpha Lithium Corporation (TSXV: ALLI)
2. Arena Minerals Inc. (TSXV: AN)
3. Argosy Minerals Limited (ASX: AGY)
4. Galan Lithium Ltd. (ASX: GLN)
5. Lithium South Development Corporation (TSXV: LIS | OTCQB: LISMF)

Alpha Lithium Corporation

Alpha Lithium (Alpha) 100% own 27,500 hectares of the Tolillar Salar in Argentina and 5,072 hectares at one of the leading salars in Argentina, Hombre Muerto. The Tolillar Salar grades are lowish and in the [200-350 mg/L range](#) with Mg:Li ratios between 4.90 and 5.37 which is ok. A big plus is that Alpha has [100%](#) of the Tolillar salar to themselves and has now expanded into Hombre Muerto. Additionally, the two Projects have potential future synergies being only 10 kms from each other.

Alpha is testing their in-house developed Direct Lithium Extraction (DLE) process and has achieved some strong results including lithium concentrations of [9,474 mg/L](#) with significant rejection of impurities. They are also testing DLE with Lilac Solutions (private).

At Hombre Muerto drilling is yet to start but given it is the best salar in Argentina then results could potentially be very good. Alpha's Hombre Muerto tenements are on the outskirts of the POSCO property, noting POSCO paid [US\\$280 million](#) to acquire these from Galaxy Resources. Alpha Lithium is taking a fast-track approach towards reaching production, then planning to ramp up volumes thereafter.

Alpha Lithium trades on a market cap of [C\\$158 million](#) and has loads of potential.

Arena Minerals Inc.

Arena Minerals (Arena) has [two projects](#) in Argentina which are Sal de la Puna (11,000 hectares) in the Pastos Grandes salar, Argentina and Antofalla (6,000 hectares) located immediately adjacent and south of Albemarle's tenements. Arena also own the [Atacama Copper Project](#) in Antofagasta, Chile.

At the Sal de la Puna Project Ganfeng Lithium has acquired a [35%](#) project share. Ganfeng also owns a [19.9%](#) equity stake in Arena. Lithium Americas also bought [\\$10 million](#) of shares in Arena recently.

Arena Minerals trades on a market cap of [C\\$206 million](#). Great partners but Arena has sold some Project share at Sal de la Puna. Possible takeover target. Copper in Chile is a bonus.

Argosy Minerals Limited

Argosy Minerals (Argosy) owns a 77.5% interest (with a [right to move to 90%](#)) in their flagship Rincon Lithium Project on the Salar del Rincon in Argentina. Argosy also owns the Tonopah Lithium Project in Nevada, USA.

Argosy's Resource is still quite small but should potentially be easily expanded when needed. Lithium grade is a bit below average at 324-369mg/L and the Mg:Li ratio is a bit high. All this means is slightly higher operating costs which is not an issue these days with surging lithium demand and very good lithium prices. Argosy is fully-funded and [45% construction completed](#) towards their plan to expand to 2,000tpa lithium carbonate production with first product by mid-2022. Thereafter the plan is to expand by 10,000tpa lithium carbonate production to have 12,000tpa production.

The big deal about Argosy is that they are already producing at pilot plant stage with large evaporation ponds already built. This makes them one of the most advanced lithium juniors globally.

Argosy Minerals trades on a market cap of [A\\$353 million](#). One of the very best and most advanced juniors.

Argosy Minerals Rincon Project is already producing battery

grade lithium carbonate and working towards 2,000tpa then 12,00tpa LCE



Source: [Argosy Minerals website](#)

Galan Lithium Ltd.

Galan Lithium (Galan) is developing their flagship Hombre Muerto West (“HMW”) Project located on the west side edge of the world class Hombre Muerto Salar. Galan also has the nearby Candelas Lithium Project also at southern edge of the Hombre Muerto Salar. Galan also owns 80% of the exploration stage Greenbushes South Lithium Project which is only 3km south of the world-class Greenbushes mine.

At Hombre Muerto West, Galan has 2.3 million tonnes contained LCE at 946mg/L (very high grade) and a very low Mg/Li ratio of <2.0. When including Candelas, in total Galan has [3.0m tonnes contained LCE @858mg/L](#). Galan completed a very positive [PEA](#) in 2020 with a post-tax NPV8% of US\$684 million.

Galan is doing further drilling in Q4, 2021 with a FS planned for 2022.

Galan Lithium trades on a market cap of [A\\$472 million](#). Top class resource and looking like a future star performer.

Hombre Muerto Salar – Galan tenements (blue outline), Livent (red), Galaxy now Orecobre (yellow), POSCO (white)



Source: [Galan Lithium investor presentation](#)

Lithium South Development Corporation

Lithium South Development Corp. (Lithium South) has 3,287 hectares of tenements [under purchase option](#) at their Hombre Muerto North (HMN) Project, on the northern edge of the Hombre Muerto salar. The Project lies just north of the POSCO and Orecobre projects, and near Livent's very successful lithium mine.

Lithium South has a [M&I Resource of 571,000t contained LCE](#), with a high lithium grade of 756mg/L and a very low Mg/Li ratio of 2.6:1. The Project has potential exploration upside. Lithium South is trialing DLE technology in parallel with proven evaporation technology. Their environmental baseline study is also underway with [Phase 1 recently completed](#). The Hombre Muerto North Project PEA ([based only on](#) some of the claims) resulted in a [post-tax NPV8% of US\\$217 million and 28% IRR](#), based only on 5,000tpa lithium carbonate production over a 30 year mine life. Initial CapEx was estimated at US\$93.3 million and OpEx at US\$3,112/t lithium carbonate. These are excellent numbers, albeit for an initial smaller size production project. Lithium South is working to further expand the resource following some good [TEM study results](#).

Lithium South trades on a market cap of [C\\$67 million](#). Looks very attractive on such a low market cap.

Closing remarks

The above top 5 lithium juniors all have lithium brine projects located in Argentina. All still have reasonably low market caps and all have great potential in the years ahead. The usual risks apply to lithium juniors such as country risk, exploration risk, funding risk, permitting risk, production risk etc. In the case of these juniors, many have run up in price recently so buying in stages can add safety in case there is a price pullback.

If looking to diversify away from Argentina then some other good

juniors such as Critical Elements Lithium Corporation (TSXV: CRE | OTCQX: CRECF) (Canada lithium spodumene project), Global Lithium Resources (ASX: GL1) (Australian spodumene project), and Lithium Power International Ltd. (ASX: LPI) (Chile JV lithium brine high grade project) are worth considering.

Best to take a 5 year time frame and remember to diversify. The EV boom has only just begun so lithium still has a great decade ahead.

Disclosure: The author is long all of the stocks mentioned in the article (except Livent and POSCO).