Government Subsidies Fuel Investment Frenzy in the Battery Gigafactory Race

written by InvestorNews | April 26, 2023 The news keeps on coming about new investments in battery gigafactories in North America as companies realize that governments are willing to throw stupid amounts of money at them in the form of grants, subsidies, and loans to make this dream come true. The leader of the pack is the <u>U.S. Inflation</u> <u>Reduction Act</u> (IRA), which was signed into law last August and offers US\$369 billion of subsidies for electric vehicles and other clean technologies. The Act also incents EV makers to produce more vehicles in North America and secure the key minerals for them outside of China.

Not to be outdone, Canada is trying hard to compete with the U.S. by spending ghastly sums of taxpayers' money to bring some of that activity north of the border. Time will tell if this will be a prudent use of 'our' hard-earned dollars but in the meantime let's take a look at the latest news on the battery plant front.

Volkswagen to build its largest gigafactory in Southern Ontario

Last Friday, the Government of Canada let the 'cat out of the bag' as to how much it was willing to provide to lure <u>Volkswagen</u> <u>AG</u> (XTRA:VOW3) to Southern Ontario to build its largest gigafactory to date in St. Thomas, with an annual production capacity of up to 90 GWh in the final expansion phase. The Federal Government has <u>agreed to provide</u> up to C\$13 billion (US\$9.7 billion) in subsidies and a C\$700 million grant, which does <u>not</u> include any potential funds from the provincial government of Ontario.

When you realize that this plant is expected to cost about C\$7 billion to build, you can see why it was a pretty easy choice for VW. I'm pretty sure I could sell management on a deal like this back in the day when I was trying to put together infrastructure projects. In the Government's defense, the numbers roughly match what Volkswagen would have received from the United States through the IRA. With that said, I'm still not convinced we should try and match what a country with 10 times our GDP is doing.

GM and Samsung to invest over US\$3 billion to build a new EV battery manufacturing plant

Not to be outdone, the United States had a couple of announcements of its own to temper Canada's 'win'. Yesterday General Motors Co. (NYSE: GM) and Samsung SDI (KRX: 006400) said they will invest over US\$3 billion to build a joint venture EV battery manufacturing plant in the U.S. (The companies did not identify the location of the plant.) The plant, expected to start production in 2026, aims to have an annual production capacity of 30 GWh.

This marks GM's fourth U.S. battery manufacturing facility having already done 3 joint ventures with LG Energy Solution (KRX: 373220) in the form of Ultium Cells LLC plants, including a US\$2.6 billion plant in Michigan set to open in 2024. In December, the U.S. Energy Department finalized a US\$2.5 billion low-cost loan to the Ultium joint venture to help finance the construction of the new manufacturing facilities which also include Ohio and Tennessee.

Hyundai and SK On to build battery plant in Georgia

Not surprisingly, with South Korean President Yoon Suk Yeol in Washington to meet President Joe Biden this week, confirmation of another EV battery manufacturing facility joint venture was made. Although an MOU was signed last December, Hyundai Motor <u>Company</u> (KRX: 005380 | OTC: HYMLF) and SK On, a battery unit of <u>SK Innovation Co. Ltd.</u> (KRX: 096770) ratified plans yesterday to set up a battery JV in the state of Georgia, in an investment worth approximately US\$5 billion.

When fully operational, Hyundai expects an annual production capacity of 35 GWh with the facility expected to begin manufacturing battery cells in the second half of 2025. These two companies appear to be embracing Georgia as their home away from South Korea given Hyundai separately broke ground in October on a US\$5.54 billion electric vehicle and battery plant in Georgia's Bryan County, while SK Innovation opened a US\$2.6 billion battery plant in Commerce, Georgia, in January that is producing batteries for the Ford F-150 EV.

Battery metals supply concerns

This begs the question of where are all the raw materials to build all these batteries going to come from. Perhaps all these subsidies to attract the manufacturing facilities will be for not as we see others getting in on the act. And not just any "others" but those who already control more than half of global lithium resources, and include by far and away the world's largest copper producer.

That's right, while in Toronto last month for the PDAC

Convention, Argentina's Mining Undersecretary Fernanda Avila suggested that Argentina, Chile, Bolivia, and Brazil are planning to coordinate action on turning more of the region's mined lithium into battery chemicals, as well as moving into manufacturing of batteries and even EVs.

It makes a lot of sense (at least to me) that these resourcerich nations would like to move further along the value chain by leveraging their mineral wealth into expanded processing capacity and perhaps as far as vehicle manufacturing. Chinese carmaker Chery Automobile Co. has already stated it wants to build a US\$400 million EV and battery plant in Argentina in an effort to tap into the lithium triangle.

Another lithium-producing area of Argentina is in talks with China's Ganfeng Lithium Co. (SHE: 002460 | HK: 1772 | OTC: GNENF) and Gotion High-tech Co. to make battery cathodes.

Final thoughts

Will this be another case of China being a better visionary when it comes to the electric vehicle supply chain? As a taxpayer who is helping to subsidize Volkswagen's efforts, I certainly hope that isn't the case. But then again, our government doesn't exactly have a great track record of being efficient and effective stewards of capital.

Argentina, the new Saudi

Arabia of Lithium

written by InvestorNews | April 26, 2023 Former Chinese leader, Deng Xiao Ping, is most famous in mining circles for his oft-repeated aside from the 1980s that whereas "Saudi Arabia has oil, China has Rare Earths". It didn't grab much attention at the time because Rare Earths were largely a mystery to most listeners and, moreover, were not worth all that much and did not have many day-to-day applications then besides bringing red colors to one's cathode ray tube television. The rest is history with the final wake-up call in 2009-10 as to what Deng was actually referring to in strategic terms.

Now we can add a third leg to the mantra because Argentina has lithium and oh, potentially, how much lithium it does have! In theory, Chile was the place to source lithium from brine lake lithium deposits (salares), but in a curious own-goal situation, Chile has squandered that advantage by trying to keep a tight control on the number of players and advantaging the two incumbents. Predictions are that Argentina will overhaul Chile in terms of lithium production by 2030. The result of the Chilean torpor at welcoming new entrants is that the surprisingly more laissez-faire attitude in Argentina has made it the go-to place for those wishing to stake positions in salares. Argentina has become something like, to paraphrase Deng, the Saudi Arabia of Lithium.

The Fluctuating Fortunes of Salares

One of the paradoxes of the middle of the decade was the "talking down" of salares as being in some way "too difficult" or too "long term". Having said that though, several of the highest-flying stories in the First Lithium Boom such as Orocobre Limited, Galaxy Resources Ltd., and Lithium Americas Corp. were salar-based. Back in that boom, and its current revival, there was/is a staking boom in the Argentine part of the Lithium Triangle of Chile, Argentina, and Bolivia that makes the California gold rush in the 1850s pale into insignificance. Explorers, quite literally, cannot get enough of Argentine lithium territory.

The caution relating to salares exploitation was powered by the mishaps that befell Orocobre and Rincon. However, in both these cases, the lessons learned meant that others will have the benefit of their difficult experiences. The argument that there is a longer lead time for salar development (due to the need to kickstart the evaporation process) does not hold much water (pardon the bad pun) due to the much longer (and more expensive) drilling and resource estimation phase at a hard rock deposit and the much higher development costs at underground mines. The downfall firstly of Canada Lithium, after the end of the First Lithium Boom, and then the travails of Nemaska, at the beginning of the latest recovery, have cast a pall in many investors' minds over large-cap underground spodumene mines.

The Road Most Taken

Despite perennial concerns about Argentina's political direction, the metaphorical road to the Argentine salares opportunity has become more like a Los Angeles expressway in peak hour, of late. Argentina has been in the Lithium game for decades, so is no newbie, but was always perceived as playing second fiddle to Chile. With opportunities to enter and develop new projects in Chile finding constant stones in the road, several of Argentina's Andean provinces have become veritable boomtowns for the Great & Good of the global EV revolution.

The long-established Livent (formerly FMC) was joined by Orocobre and Galaxy Resources (which then merged), and then a stampede of the elephants in the Lithium space occurred with Posco, Ganfeng, Tianqi and most recently Zijin Mining Group resetting the bar higher with its <u>stunning move</u> on <u>Neo Lithium</u> <u>Corp.</u> (TSXV: NLC | OTCQX: NTTHF).

Then in November of 2021 TSX-listed miner Lithium Americas offered \$400 million in shares and cash for Vancouver-listed Millennial Lithium Corp., the third offer for the company this year following one by China's largest battery maker CATL and another one by Chinese lithium producer Ganfeng Lithium. A feeding frenzy has begun.

Beyond these majors, there is an array of junior players hoping to replicate the Neo Lithium success story. One of these stocks that has come to attention lately is <u>Edison Lithium Corp.</u> (TSXV: EDDY | OTCQB: EDDYF).

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Into the Fray

In mid-June 2021, Edison Cobalt Corp. as the company was then known, announced that it had entered into a Definitive Purchase & Sale Agreement to acquire Resource Ventures S.A. (ReVe), an Argentine corporation that owns or controls the rights to over 148,000 hectares (365,708 acres) of prospective Lithium brine claims in the province of Catamarca, Argentina. The claims are principally located in the two geologic basins known as the Antofalla Salar and the Pipanaco Salar in the famed Lithium Triangle.

The Transaction

To effect the purchase Edison inked an agreement to acquire ReVe and a 100% interest in its properties for a purchase price of \$1.85 million paid by the issuance of ten million common shares of the company at a deemed price of \$0.185 per share. All securities issued pursuant were subject to a hold period of four months from the date of closing.

The Political Scene

For most of the last two decades, Argentina has been ruled by irregular iconoclastic governments, most recently by the dynasts of the Kirchner family and before that the Duhalde regime the country with a brief interlude of fiscal conservatism under Mauricio Macri, elected President in the last quarter of 2016.

The major bugbears of foreign miners operating in the country have been:

- Currency controls though the devalued Peso results (in theory) in lower costs for project development
- Export taxes on concentrates
- Import restrictions on equipment

The Macri regime reverted these and this coincided with the Second Battery Metal Boom of 2017. Though that boom proved to be fleeting, it reenergized players in the Argentine space.

The Macri regime fizzled after three years and the Kirchnerites were back in power, but mining (and particularly Lithium) scarcely missed a beat with the surge of development of salares (and increasingly large copper projects) at the current time.

There is a good case to be made that the relative lack of salares moving to production pre-2019 was due to the double negatives of the low lithium price between 2011 and 2016 and the death throes of the first Kirchnerite period making Argentina an unattractive place to advance projects. Pricing has resolved itself and the Argentine government is welcoming Lithium players with open arms.

Edison Lithium's pivot from Cobalt to Lithium looks like a

prescient move. While Cobalt is much sought after it is seldom found. Unicorn hunting can be a long and expensive sport. With Argentina's rapid evolution as the "Saudi Arabia of Lithium" who could fault the company moving into the territory and building up a substantial position?

It's still early days of course with exploration, resource definition (and presumably more territorial expansion) still lying ahead. However, in elephant country, one is more likely to find elephants than gerbils. The hunt is on at Edison Lithium.

Copper, Lithium, and a Presidential Election in Chile, why does it matter?

written by InvestorNews | April 26, 2023 Now that COP26 has concluded perhaps some other items will begin to show up in the news cycle. However, unless you dig deep you may not be aware that on November 21st Chileans go to the polls to elect a new president. You may be wondering why I picked an election in Chile as something to pay attention to given all the things going on in the world today. I have to admit that I'm a little concerned about the build-up of Russian troops on the

Ukrainian border in response to complaints of increasing NATO activity in the region. And you just never know what's going to happen when the Chinese and U.S. get together to discuss economic and military tensions. Yet despite all that I think the Chilean election could have greater global ramifications depending on the outcome…or it could be a non-event. The reason for having a look under the hood at Chile's election is two-fold. One is that the leading candidates in the polls are currently from the far left and the far right, neither are from Chile's mainstream political parties. The second is Chile's contribution to two very top-of-mind commodities at present: copper and lithium. Has this information started to pique your curiosity? If it hasn't then it should and here's why.

In today's economic reality, as we move towards a cleaner, greener world with less carbon emissions, we are going to need a lot of copper to build out all the electrical infrastructure and of course lithium has been termed as the gasoline of the future. We've covered the macro necessity of both these commodities enough at InvestorIntel, so I won't get into the weeds on everything regarding copper and lithium. However, I will say that Chile is the world's largest miner of copper by a long shot. Mine production in Chile is approximately 28% of all copper mined in the world and the country is estimated to contain 23% of global copper reserves. Those are the kind of numbers copper investors need to pay attention to.

As for lithium, it's almost as impressive with Chile being part of the renowned Lithium Triangle. The Lithium Triangle is a lithium-rich region in the Andean southwest corner of South America, spanning the borders of Argentina, Bolivia, and Chile. Roughly 58% of the world's lithium resources are found in these three countries, according to the 2021 <u>USGS Mineral Commodity</u> <u>Summary</u>. Although Chile only accounts for an estimated 11% of global lithium resources, they are currently the world's secondlargest producer with approximately 22% of the world's lithium production. Again, this is enough material so that any sort of disruption to order or rule of law could have serious ramifications that ripple around the world.

As much as I like to brag about Canada being rich in

commodities, Chile is knocking it out of the park when it comes to copper and lithium. Hence the reason I'm paying attention to this election given the importance to a nation's commerce of an orderly transfer of power.

Now let's take a closer look at the background heading into this election. This is the first election since widespread protests over inequality rocked Chile in 2019. Some of those protests turned violent, with riots, arson attacks, looting and violent clashes with police, all sparked after the government increased public transportation fares. Things were bubbling below the surface for a while and this was the ignition point. Needless to say Covid impacts to the economy and its people further exacerbated these issues. This led to Chileans voting in a referendum in October, 2020 to rewrite Chile's constitution which appeared to be the writing on the wall for the centerright coalition government that is currently in power. Then in May of this year, Chileans voted again in an election for delegates who would rewrite the constitution. The ruling coalition failed to pick up the one-third of seats necessary to block radical changes to the constitution. Meanwhile, the center-left, which has dominated politics since the end of Augusto Pinochet's 1973-1990 military dictatorship, garnered less support than leftists who have been pushing for wholesale change to the 'Chilean model' that has been credited with fomenting growth, but also with deep inequality.

That's the macro reasoning but layered on top of that are a couple of micro issues that investors should also be aware of. The country is debating a controversial mining royalty bill which could sharply hike tariffs on the sector. The royalty bill, under discussion in Congress, could shut down the country's private miners by slapping a 3% royalty on sales of copper with a sharp escalator as copper prices rise. As well, there is a new glacier protection law, which could impact some

key mines.

The people of Chile want change and it looks like they will get it with the polls being led by far left hopeful Gabriel Boric and ultra conservative front-runner, Jose Antonio Kast. Thus far both candidates have kept their powder dry on mining during the campaign. Left-wing candidate Boric has discussed royalties while Kast has proposed vague changes to mining property law to rev up the sector, including opening up state miner Codelco to more private investment. At this point, it's difficult to understand what either candidate could mean to Chile's future as a mining powerhouse. Nevertheless, investors should be putting this election on their radar as there is potential for a lot more downside than upside, in my opinion. With that said, my hope is that this election is a non-event and results in an orderly transfer of power from one democratically elected party to another.

It should be noted that if no candidate gets a simple majority this coming Sunday, the top two will compete in a head-to-head ballot on Dec. 19. The polls suggest this is likely the next date you'll have to mark in your calendar if you feel, as I do, that it could be important to know who is the next President of Chile.

Jack Lifton with Neo Lithium's Gabriel Pindar, says "the

lithium market is a permanent bull market at this time"

written by InvestorNews | April 26, 2023

In a recent InvestorIntel interview, Jack Lifton speaks with Gabriel Pindar, COO and Director of <u>Neo Lithium Corp.</u> (TSXV: NLC | OTCQX: NTTHF) about Neo Lithium's latest updated <u>results</u> that "...confirm that 3Q Project is one of the most significant lithium brine discoveries in recent history" (<u>source</u>).

In this InvestorIntel interview, which may also be viewed on YouTube (click here to subscribe to the InvestorIntel Channel), Gabriel went on to say that further to the <u>125% increase in</u> <u>resource</u> at their 3Q Project located in the Lithium Triangle: "The company expects to begin commercial production of lithium carbonate in the last quarter of 2023 reaching full production of 20,000 tons per year in 2025." Jack then comments on the Neo Lithium deal with CATL. CATL, which is the largest EV battery producer in the world, is a strategic partner with Neo Lithium. Gabriel draws Jack's attention to the competitive cost for extraction, Jack adds "the lithium market is a permanent bull market at this time".

To watch the full interview, <u>click here</u>

About Neo Lithium Corp.

Neo Lithium Corp. has quickly become a prominent new name in lithium brine development by virtue of its high quality 3Q Project and experienced team. Neo Lithium is rapidly advancing its 100% owned 3Q Project – a unique high-grade lithium brine lake and salar complex in Latin America's "Lithium Triangle". The 3Q Project is located in the Catamarca Province, the largest lithium producing area in Argentina covering approximately 35,000 ha including a salar complex of approximately 16,000 ha.

To learn more about Neo Lithium Corp., click here

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If you have any questions surrounding the content of this interview, please email <u>info@investorintel.com</u>.

Neo Lithium reaches nirvana with 125% increase in resources

written by InvestorNews | April 26, 2023

Whenever someone mentions lithium to me, the first thing that pops into my head is Kurt Cobain and Dave Grohl. Obviously, I'm still stuck in the 90's thinking about great songs like <u>this</u> <u>Nirvana offering</u>. The recording of which is arguably responsible for Dave Grohl joining the iconic band. But when I drag my head out of the clouds and back to today the most important lithium going is the commodity that is vital to the build out of electric vehicles, consumer electronics and various energy storage applications involving rechargeable batteries. You've heard us go on and on at InvestorIntel about the importance of lithium, perhaps no more clearly than <u>this article</u> by Jack Lifton (a must read). So I won't pound the table anymore on that topic as long as you read Jack's article.

So what if there was a junior miner that just announced a 125% increase of measured and indicated resources in their lithium brine project in Catamarca Province, Argentina. I bet that would get you pretty excited. Well, you are in luck. <u>Neo Lithium Corp</u>. (TSXV: NLC | OTCQX: NTTHF) just <u>announced exactly that</u> at their

Tres Quebradas (3Q) project.

The Company's 3Q project is located in the southern end of the "Lithium Triangle" in the Puna Plateau, where over 40% of global lithium is produced. The area is characterized by high altitude salt flats, many of which contain elevated lithium concentrations. The largest lithium brine mines and projects in the world are located in salars (a salt-encrusted depression that may or may not be the basin of an evaporated lake) in the Lithium Triangle including Atacama Salar (SQM and Albermarle), Cauchari-Olaroz Salar (Orocobre and Lithium Americas) and Hombre Muerto Salar (Livent and Galaxy). Neo Lithium is in the same neighborhood as all the big names in lithium.

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Source: Corporate Website

This resource increase was a function of the latest drilling results <u>announced by Neo Lithium on May 27th</u> where the company intercepted a new deep brine aquifer, located outside the area which resulted in the Company's previous Mineral Resource Estimate prepared by Groundwater Insight Inc. with an effective date of August 14, 2018. So they gave Groundwater a call and asked them to work on a new resource estimate using the results from the new wells. Those results are summarized as follows (lower right of the table is the impressive 125% increase):

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Source: Corporate Press Release

As an investor trying to make a decision on whether this is a good stock to buy or not, let's have a look at some of the other important facts about Neo Lithium. Notwithstanding the overall outlook for lithium, which I promised not to keep droning on about, there are several corporate specific items that are key. The Company has a lot of money to begin the commercial development of this project, \$59 million at the end of March. They have the world's largest battery manufacturer Contemporary Amperex Technology Co. Limited (CATL) – a global leader in the development and manufacturing of lithium-ion batteries and the world's No. 1 ranked EV battery producer – as a strategic investor (8% equity interest), <u>including a seat on the board</u>. A pre-feasibility study, done prior to the latest resource increase, had a 50% IRR, \$1.1 billion after tax NPV (8% discount rate), and a 1 year 8 month payback period.

Additionally, the 3Q project is 100% owned and Neo Lithium controls the entire salar which still has exploration upside. The high-grade core of the 3Q project is 3rd highest grade lithium project in the world, 4th best on overall average grade. The low impurities contribute to this project being estimated to be in the lowest quartile OPEX in the industry at US\$2,900/t. Pilot plant operations have run for over a year achieving battery grade quality (99.797% lithium carbonate) and pleasing CATL with the results. Similar processing operations have run in the area for over 20 years, so it's not like this project is reinventing the wheel, perhaps just advancing a better way to power the wheel.

All of this make 3Q one of the best undeveloped lithium projects worldwide. But there's the key — undeveloped. So what's next for Neo Lithium? The Company plans to complete the final feasibility study in Q3/21 at which point it will finalize financing discussions with CATL, assuming they've obtained the Environmental Impact Assessment. At that point, they can start executing a construction plan and get this impressive project making all that money that the PFS indicated was there for the taking, assuming lithium prices remain strong but we've already

Neo Lithium's Gabriel Pindar on the rising demand for lithium in electric vehicles

written by InvestorNews | April 26, 2023

In a recent InvestorIntel interview, Tracy Weslosky spoke with Gabriel Pindar, COO and Director of <u>Neo Lithium Corp.</u> (TSXV: NLC | OTCQX: NTTHF) about their recent <u>news release</u> about CATL increasing its investment in Neo Lithium.

CATL is one of the largest battery manufacturers for electric vehicles in the world which made a strategic investment in Neo Lithium in September last year. In this InvestorIntel interview, which may also be viewed on YouTube (click here to subscribe to the InvestorIntel Channel), Gabriel went on to say that CATL is expanding its plants globally and "for every one of those plants they will need more materials. That is why they are talking to us about lithium."

Neo Lithium was recently named to the 2021 OTCQX[®] Best 50. Speaking on the competitive advantages of Neo Lithium's 3Q Project, Gabriel said that it is a high-grade lithium brine project which is "one of the lowest impurity projects in the market" which allows for efficient lithium carbonate production.

To watch the full interview, click here

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