

Banking on a critical minerals closeology heyday

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Regional mining plays or area plays can be quite exciting for investors if you are a participant in the early stages. Generally speaking, someone announces some exciting results and if there is any unstaked land in the regions, dozens of opportunists will stake claims in the vicinity in hopes that [closeology](#) will benefit them. The most recent example I can think of was sparked by [New Found Gold Corp.](#) (TSXV: NFG | NYSE American: NFGC) in mid-2020. They came out of the starting blocks with some incredible gold drill results in Newfoundland & Labrador. They quickly followed up with a bunch more out of this world drill holes, and all of a sudden, if you were a Newfoundland gold play, you were along for the ride. Every time NFG posted results, almost everyone in the general vicinity got a lift to their stock price.

It's that early stage that creates the most excitement and euphoria because of all the blue sky potential. Albeit, if you bet on a player in the region that finally starts drilling their own play and results aren't spectacular, things can come crashing down in a hurry. But until that time, it's relatively easy for other players in the general vicinity to raise money and get a premium stock price on the back of the area player(s) that started it all. It can be a lot of fun (and quite lucrative) if you are early enough and disciplined enough to have tight stop loss orders or reduce exposure as the stocks jump around on news and rumors.

My introduction to this phenomenon was in the early 1990's when two distinct and separate opportunities began to take shape. One

was the discovery of diamonds in the Northwest Territories. Soon everyone was staking claims and obscure places like Lac de Gras and Snap Lake became well known to a lot of investors who still may not be able to find them on a map. Around that same time was the huge nickel discovery in Voisey's Bay, Newfoundland & Labrador that spawned a frenzy that would be hard to replicate, even today. There were dozens of publicly traded junior miners, some legit and some that pushed the legal limits when it comes to disclosure. Fortunately, between the Voisey's Bay insanity and the Bre-X fiasco, reporting and legitimacy of drill results and resource estimates are something most investors don't have to worry about anymore.

I think we may be on the cusp of another regional mining play but perhaps driven by a couple of extra factors that seem to be important investing themes of late – supplying the carbon emission reduction machine and “friend-shoring” or supply chain security. It should come as no surprise to readers that this is a recurring theme at [InvestorIntel](#). Governments are passing legislation and doling out cash to support local supply, processing and infrastructure of critical minerals, while at the same time attempting to minimize or even eliminate Chinese influence. That is a tailwind for domestic mining companies, at least for the next few years.

So what do I think could be the next big regional mining play? Drum roll please...lithium. More specifically, hard rock lithium or pegmatite in Ontario and Quebec. Obviously, lithium has been a hot place for investors for quite some time now, but the bulk of the excitement was being generated by the big brine plays, mostly in South America. There have already been several big winners there including lots of M&A resulting in a lot of money made by investors.

With that said there has already been some pretty good runs for

some of the Canadian lithium names. A quick look at the one year chart for [Critical Elements Lithium Corporation](#) (TSXV: CRE | OTCQX: CRECF) and [Patriot Battery Metals Inc.](#) (TSXV: PMET | OTCQX: PMETF | ASX: PMT) and you'll see double and a 10 bagger. But I think we are still in the early innings for this part of the world. Primarily because the market is desperate for non-Chinese owned, controlled or processed lithium supply. Additionally, hardrock lithium is simple, understood, and there appears to be plenty of it not far from key EV battery manufacturing locations in Ontario, Quebec and Michigan.

Another reason I think things could get really spicy for this area play is that most of the deposits identified thus far have been close to surface. That means a little bit of capital will go a long way to generating plenty of drill results for the market to chew on. Lots of news in a relatively short period of time keeps the momentum going and draws in more investment dollars that in turn raises the premium of almost everyone in the region (at least initially). Add the potential wildcard of a takeover by a mining major and you could see share prices kick into overdrive. And why would I suggest something like this? Mining giant Rio Tinto (NYSE: RIO) recently stated it is actively searching for lithium assets as it expects prices for the metal to remain high for a long period of time.

To me, all the pieces seem to be falling into place for the type of focused regional mining play that can result in some pretty wild stock gyrations in a relatively short period of time. You have to be wary and nimble to achieve success when participating in this type of opportunity, but the rewards can be worth it. Ontario and Quebec are emerging as top lithium areas in mining friendly jurisdictions. Now the question is whether big money will start chasing this space and reward early investors.

Patriot Battery Metals is marking its territory as a lithium explorer for Quebec's Battery Valley

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The province of Quebec appears to be going “all in” on powering the electric vehicle revolution. The bet is being placed in Becancour, a small town along the shores of the St. Lawrence River about midway between Montreal and Quebec City, which is rapidly emerging as a center for producing the advanced materials needed for lithium-ion batteries. Companies including General Motors, POSCO Chemical, and BASF are setting up shop to produce cathode active materials and lithium battery recycling in this strategic Quebec locale.

But what is the attraction to this particular location? Becancour offers an inviting combination of highly efficient logistics for delivering battery materials to both North America and Europe, and it has ready access to hydroelectricity that will lower the carbon footprint of products produced there, an advantage that can be passed on to the battery and EV sectors.

It also doesn't hurt that Quebec happens to be in a region that is rich in the minerals and metals needed for battery material manufacturing. With the support of the provincial and federal governments, Becancour is looking to become Canada's “Battery Valley.”

Given the commitment is already there, both from government and the private sector, who have announced billions in capital spending, one now needs to look upstream to see where they plan to source the raw materials for this battery hub. As we discussed in the Dean's List, lithium is on the critical minerals list and a key battery component. Quebec appears to be blessed with an abundance of hard rock lithium or pegmatites which can contain a lithium bearing mineral known as spodumene. One company attracting a lot of attention in the lithium space is [Patriot Battery Metals Inc.](#) (TSXV: PMET | OTCQB: PMETF), a mineral exploration company focused on the acquisition and development of mineral properties containing battery, base, and precious metals.

Patriot Battery Metals' flagship asset is the 100% owned [Corvette Property](#), a 214 km² land package situated along a ~50 km lithium pegmatite trend, located in the James Bay Region of Québec. The high number of well-mineralized pegmatites in this core area of the trend indicates a strong potential for a series of relatively closely spaced/stacked, sub-parallel, and sizable spodumene-bearing pegmatite bodies, with significant lateral and depth extent, to be present. Located only 15 km from the high voltage power lines connected to one of the largest hydro power schemes in the world, there is potential for the Corvette Property to produce 'green lithium'.

There are two things that have attracted my attention with respect to Patriot Battery Metals. First is the abundance of impressive results to date and the fact that there is a lot more coming. The core area includes an approximate 2 km long corridor hosting numerous spodumene pegmatites, highlighted by the large CV1 and CV5 pegmatite outcrops, and has returned drill intercepts of:

- 1.65% Li₂O and 193 ppm Ta₂O₅ over 159.7 m (CV22-042)

- 1.22% Li₂O and 138 ppm Ta₂O₅ over 152.8 m (CV22-030)
- 2.13% Li₂O and 163 ppm Ta₂O₅ over 86.2 m (CV22-044), and,
- 2.22% Li₂O and 147 ppm Ta₂O₅ over 70.1 m, including 3.01% Li₂O and 160 ppm Ta₂O₅ over 40.7 m (CV22-017).

A total of three drill rigs are currently operating at the Corvette Property – two targeting the CV5 pegmatite corridor and one targeting the CV13 pegmatite cluster. As of September 15, 2022, a total of approximately 19,199 m over sixty-five (65) holes have now been completed over the 2022 drill campaign with drilling anticipated to continue through to mid-October, at which time the 2022 drill program will conclude with final core processing on site and shipment to the lab for analysis.



Source: Patriot Battery Metals Inc. Sep 19, 2022 [Press Release](#)

As you can see from the illustration above, there is still a lot of outstanding assays pending for the summer drilling program. But perhaps even more intriguing is the Company's latest capital raise to fund drilling for the foreseeable future. I've seen a lot of flow-through share offerings in my time and even participated in several but I have never seen anyone command a price [representing a 109% premium](#) to the last traded share price prior to the offering. I know the Federal Government's [30% Critical Mineral Exploration Tax Credit](#) has added a little more incentive to flow-through shares but this premium is astounding (at least to me). Perhaps PearTree Securities Inc. is wildly bullish about lithium in Quebec and is more than happy to spend C\$20 million on 1.5 million shares at C\$13.27 when Patriot's stock price was at C\$6.35. I know it's made me pay a lot more attention to this stock.

However, Patriot Battery Metals is not a cheap stock at present.

It, along with many of its lithium peers, are trading at or near all time highs despite what most of the rest of the market is doing. Granted lithium seems to have better economics right now than most other metals, meaning the value creation for investors can be very steep on a successful asset. With that in mind, the Corvette Property doesn't have a resource estimate or PFS as of yet, which means there could already be a lot of optimism built into its C\$580 million market cap... or not.