

The (Bidding?) War For the DRC

written by Melissa (Mel) Sanderson | March 12, 2024

Every few years the Democratic Republic of the Congo rises to international attention. Often this is due to a new round of fighting in the eastern regions of the country, with associated human rights violations. This time, however, Congo's resources are in the spotlight as nations scramble to secure access to some of the world's largest and richest deposits of critical minerals ranging from battery metals to rare earths, gallium, germanium, and others vital to "green" economies, national defense, and slowing climate change.

The major "bidders" at the moment include China, Saudi Arabia, and the United Arab Emirates. China of course has been present in the DRC for decades in the mining industry with activities ranging from blatantly illegal to merely controversial, as is the case with [Tenke Fungurume](#), one of the world's largest copper and cobalt mines. In 2006 China entered into an "infrastructure for minerals" agreement with the then-government of Joseph Kabila. Under the terms of this agreement, China built some roads, repaired some airport tarmacs and some government buildings – mostly in the eastern part of the country and in the mineral rich Katanga province. The Congolese people were unhappy with these arrangements as few jobs were created and those which were, involved menial labor. Due to the cheap materials used several projects were of short duration: perhaps the most famous was the road connecting the Bukavu airport with the city, which began eroding and collapsing in places even before the entire project was completed. In exchange, China received some of the richest copper concessions in the Katanga province and rights to other mineral holdings throughout DRC. In 2022 China's [Zijin Mining Group](#) launched a bid to take over the Manono lithium/tin concession being developed by an Australian company and in 2023

was awarded development rights when the DRC government said the Australians had been moving too slowly. The award was revoked, however, and China now is contesting that decision.

In 2021 Saudi Arabia signed a general cooperation agreement with the Tshisekedi government and in January 2024, at the Future Minerals Forum in Riyadh, the two countries signed an MOU governing cooperation in developing Congo's mineral wealth. Through its Private Investment Fund (PIF) Saudi has established a new vehicle, Manera Minerals, 50% owned by PIF and 50% by the state-owned mining company Ma'aden to actively work on sourcing critical minerals outside of Saudi to support the Saudi 2030 transformative development vision. Manera is charged with taking equity positions in existing companies thereby accelerating Saudi's access to critical minerals. Unlike the Chinese, the Saudis enjoy a positive public perception. Saudi is seen as a role model and teacher for utilizing natural resources to enrich and develop countries – a major goal for African nations – and also has the resources to invest even during market downturns when commodity companies tend to pull back, thereby ensuring that projects continue to be developed regardless of external pricing constraints. Saudi's recent agreement with the DRC envisions up to \$2 billion in investments in the mining, transportation and infrastructure sectors. Crucially, the MOU envisions investment in processing and refinement of mined products, supporting a long-desired value-add for Congolese mining.

In 2023 the UAE signed a \$2 billion deal with one of the DRC's state mining companies, Sakima, to develop up to 4 mines in South Kivu and Maniema provinces. Sakima has mining concessions for tin, tantalum, tungsten and gold in those areas: another state-owned company, Gecamines, controls copper in Katanga. This broader agreement followed an initial partnership for Primera Group, a UAE firm, to export at preferential rates artisanally-

mined gold, coltan, tin, tantalum and tungsten. This agreement supports the DRC Government's desire to professionalize artisanal mining and ensure miners are getting a better return for their efforts. The DRC also hopes the deal will help strangle access by the militias to the area and cut-off their access to funds supporting continued violence in Eastern Congo.

Russia also is stepping up its interest in the DRC. Russians, like Chinese, have been in the Congo for decades mostly smuggling arms into, and minerals out of, Eastern DRC. Elements of the Wagner Group reportedly had trained and partnered with some of the militias in the area to more directly (albeit still illegally) exploit Congo's mineral wealth. In the last six months, following the death of Wagner Group leader [Yevgeny Prigozhin](#), Russian military activities have increased and Russian political influence is emerging. The recent civil unrest in DRC's capital, Kinshasa, which saw several days of sometimes violent demonstrations in front of the US and European Embassies as well as the UN offices, is believed to have been spurred by Russia. During the Cold War in the 1960's the DRC had been a strategic site for both the US and Russia: as a bid to keep Russia from increasing its influence in DRC the US supported the rise of then-Sargent Mobutu. It appears that access to critical minerals in the DRC may be fueling another Cold War-style intervention in Africa by Russia – which has offered its military support to several African countries to enable governments to “suppress unrest.”

Meanwhile, what are the US and European countries doing? Very little. Even though by some estimates approximately 70% of the crucial critical minerals are in an arc spanning Central Asia to Africa, and even though in many countries the US remains the preferred partner (when possible) there, so far has been little apparent effort to support US businesses to develop and secure the resources needed for economic transformation and national

defense.

Argentina, the new Saudi Arabia of Lithium

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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 [stunning move](#) on [Neo Lithium Corp.](#) (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 [Edison Lithium Corp.](#) (TSXV: EDDY | OTCQB: EDDYF).



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

salaries 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.

InvestorIntel's Top 10 Trending List for November 2021

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In this InvestorIntel video, Tracy Weslosky lists InvestorIntel's Top 10 Trending articles and videos on InvestorIntel.com for the last 30 days. You may find this quite interesting as this Top 10 list provides an indicator of what market trends our audience is finding interesting.

Presently trending #1 on InvestorIntel.com is Frederick Kozak's take on the [top 5 rare earths companies](#) for 2021. Our Australian Editor Matthew Bohlson's coverage on the Australian Government's extension of a [\\$2 Billion loan facility for the critical materials industry](#) is trending #2 followed by an [update on Lynas Rare Earths Limited](#) (ASX: LYC) trending #3. [Appia Rare Earths & Uranium Corp.](#) (CSE: API | OTCQB: APAAF) is presently trending #4 with their [article](#) written by Dean Bristow titled – Biden, the Chinese raw material hunt and the 'massive' monazite results of Appia Rare Earths & Uranium. Trending #5 is Tracy Weslosky's update on [Neo Lithium Corp.](#)'s (TSXV: NLC | OTCQX: NTTHF) acquisition by China's Zijin Mining Group.

Here is the complete list of InvestorIntel's Top 10 Trending Articles and Videos on [InvestorIntel.com](#) for November 2021.

1. The Top 5 Rare Earths Companies for 2021 <https://bit.ly/3shB8X4>
2. Australian Government extends a \$2 Billion loan facility for the critical materials industry <https://bit.ly/3AX4gqv>
3. Lynas Rare Earths, making record profits and growing to meet the EV demand <https://bit.ly/3m65cSW>
4. Biden, the Chinese raw material hunt and the 'massive' monazite results of Appia Rare Earths & Uranium <https://bit.ly/3lKR82m>
5. China pays full value for Neo Lithium, the bull market has arrived. <https://bit.ly/3Fxc03w>
6. Byron King's Top 5 "Outstanding" Yukon Gold (and Silver) Mining Names <https://bit.ly/2WFj9yL>
7. North American Rare Earth Juniors Consolidate Capabilities to Advance Towards a Total Domestic Supply Chain <https://bit.ly/3bai3ia>
8. Cesium, A Critical Metal and an Opportunity for Avalon Advanced Materials <https://bit.ly/3ByGh0u>

9. U.S. nuclear power generation at historical heights as investors buy uranium <https://bit.ly/2XlRrY0>
10. Canada's Voyageur Pharmaceuticals Breaking a Chinese Monopoly <https://bit.ly/3us0gdb>

To watch the full video, [click here](#)

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

written by Tracy Weslosky | March 12, 2024

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.