

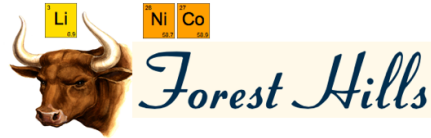


## Lithium Bull, July 4, 2017

What say Mr. Market, observing the below public lithium equity scoreboard at half-time 2017? Some observations on that which I highlight below in beige:

- If you want liquidity, list in Shenzhen, or NYSE – or, Singapore?!
- Emerging Producers deep in the red look tempting if you believe lithium demand is far more likely to outstrip supply for 4-5+ years with sustained high lithium prices:
  - But you'll have to take a long view, as trading liquidity, with only a handful of exceptions, is appallingly low.
- Bald Hill (**Tawana/Alliance Minerals Asset Ltd**) and Earl Grey (**Kidman**) are more valuable Oz hard rocks than shovel-ready **Altura's** Pilgangoora?
- Rebounding **Orocobre** overtakes DSO-spooked **Galaxy** during Q2.
- Among TSX-listed Argentine brine explorers, Orocobre affiliate **Advantage Lithium** suffered disproportionate carnage, while **Millennial Lithium** has had best performance YTD.

<u>Big 5 Producers</u>	<u>Exchange</u>	<u>Mkt Cap</u> <u>(M USD)</u>	<u>Share</u> <u>Price</u>	<u>YTD</u>	<u>1m</u>	<u>3m</u>	<u>1 yr</u>	<u>Volume (3m)</u> <u>Shares</u>	<u>Daily Trading</u> <u>Value</u>
Albemarle	NYSE	\$ 11,810	\$ 106	23%	-7%	1%	31%	1,170,000	\$ 124,020,000
SQM	NYSE	\$ 9,110	\$ 33.25	16%	-8%	-3%	64%	1,040,000	\$ 34,580,000
Sichuan Tianqi Lithium Industries	NYSE	\$ 7,848	\$ 54.45	68%	30%	26%	28%	21,850,000	\$ 172,425,000
Ganfeng	SHE	\$ 4,494	\$ 46.70	76%	18%	13%	40%	25,520,000	\$ 172,722,319
FMC	SHE	\$ 9,740	\$ 72.96	30%	-4%	4%	59%	1,080,000	\$ 78,796,800
<u>Emerging Producers</u>									
Mineral Resources	ASX	\$ 1,463	\$ 10.4	-14%	3%	-2%	24%	1,440,000	\$ 11,242,800
Orocobre	ASX	\$ 546	\$ 3.46	-24%	-9%	24%	-27%	568,052	\$ 1,474,095
Galaxy	ASX	\$ 477	\$ 1.61	-39%	-28%	-26%	-36%	4,260,000	\$ 5,143,950
Pilbara Minerals	ASX	\$ 407	\$ 0.37	-26%	-12%	-9%	-40%	3,970,000	\$ 1,101,675
Lithium Americas	TSX	\$ 243	\$ 0.87	9%	-5%	-13%	-20%	422,653	\$ 275,781
Nemaska	TSX	\$ 240	\$ 0.98	-21%	-17%	-25%	-18%	641,762	\$ 471,695
Altura Mining	ASX	\$ 145	\$ 0.13	-7%	-9%	-17%	-38%	697,917	\$ 65,430
Bacanora	AIM	\$ 117	\$ 0.78	23%	-12%	-6%	-23%	117,055	\$ 68,038
Neometals	ASX	\$ 112	\$ 0.27	-19%	-6%	-13%	-41%	515,697	\$ 104,429
<u>Advanced Development</u>									
Kidman Resources	ASX	\$ 158	\$ 0.63	7%	17%	42%	294%	1,980,000	\$ 935,550
Global Geosciences	ASX	\$ 122	\$ 0.15	120%	-22%	-3%	190%	1,060,000	\$ 115,275
Critical Elements	TSX-V	\$ 122	\$ 1.11	118%	18%	39%	76%	437,936	\$ 364,582
Lithium X	TSX-V	\$ 118	\$ 1.95	-13%	0%	19%	16%	208,261	\$ 304,582
European Metals Holdings	AIM	\$ 49	\$ 0.89	46%	-7%	-36%	89%	40,658	\$ 27,139
Birimian Ltd	ASX	\$ 41	\$ 0.23	-32%	-22%	-22%	-26%	Suspended	Suspended
Frontier Lithium	TSX-V	\$ 35	\$ 0.36	38%	-9%	-12%	26%	27,448	\$ 7,411
<u>Exploration</u>									
Alliance Minerals Asset Ltd	SGX	\$ 117	\$ 0.33	257%	-9%	-15%	317%	9,990,000	\$ 2,435,063
Wealth Minerals	TSX-V	\$ 95	\$ 1.59	27%	-14%	10%	92%	124,828	\$ 148,857
LSC Lithium	TSX-V	\$ 79	\$ 1.24	-5%	-2%	-11%	NA	62,416	\$ 58,047
NeoLithium	TSX-V	\$ 72	\$ 1.15	7%	-3%	-15%	557%	110,607	\$ 95,399
Tawana Resources	ASX	\$ 63	\$ 0.19	65%	-19%	-19%	555%	1,490,000	\$ 212,325
Millennial Lithium	TSX-V	\$ 50	\$ 1.57	11%	16%	7%	141%	96,385	\$ 113,493
Argosy Minerals	ASX	\$ 46	\$ 0.08	162%	-5%	69%	117%	1,930,000	\$ 110,010
Standard Lithium	TSX-V	\$ 39	\$ 1.06	93%	15%	9%	203%	258,085	\$ 205,178
Advantage Lithium	TSX-V	\$ 38	\$ 0.38	-61%	-16%	-36%	-49%	339,301	\$ 96,701
Lithium Power International	ASX	\$ 32	\$ 0.30	5%	15%	-20%	3%	318,856	\$ 71,743
WCP Piedmont Lithium	ASX	\$ 27	\$ 0.078	11%	-8%	-22%	290%	563,159	\$ 32,945
Pure Energy	TSX-V	\$ 24	\$ 0.51	-11%	-14%	2%	-26%	176,102	\$ 67,359



In the Inaugural Lithium Bull in January, I suggested 7 projects could get full funding in 2017.

Emerging Lithium Developers/Producers
Galaxy – Sal da Vida
Pilbara Minerals
Nemaska
Lithium Americas
Altura Mining
Bacanora
North American Lithium

With only two down, we are a bit behind schedule, especially against a backdrop of further lithium demand upgrades from Roskill, Canaccord and another one soon by widely followed Joe Lowry, as foreshadowed recently on Twitter. **Econ 101: Demand > Supply = Higher Prices**

The following picture worth a thousand words of Argentine President Macri with SQM CEO Patricio de Solminac, Lithium Americas President John Kanellitsas and other representatives of each company, is a meaningful market signal that their 50,000 ton/year Minera Exar JV project is full steam ahead, and an early flagship in attracting the country's multi-billions target of foreign mining investment. Argentina sovereign risk is declining, reflected in bond yields, but not yet resource equities – I see upside risk on sovereign sentiment: GDP is now in positive territory from last quarter and a streamlined federal 3% mining royalty is in the works.





The following few words addressed to Pilbara are worth 300 thousand+ pictures for each ton of **CLEAN AND GREEN SPODUMENE** concentrate the company should begin to produce from 2018/2019.



**THE HON JOSH FRYDENBERG MP**  
Minister for the Environment and Energy

### **MEDIA RELEASE**

27 June 2017

#### **\$20 MILLION INVESTMENT IN LITHIUM SUPPLY FOR BATTERY STORAGE**

The Turnbull Government, through the Clean Energy Finance Corporation (CEFC), is investing around \$20 million (US\$15 million) into a project producing lithium concentrate – an essential component in electric vehicles and battery storage.

Dirty old mining suddenly has sex appeal with progressive governmental policy makers. As articulated by an ex-Macquarie banker now West Australian government capital allocator:

<http://www.skynews.com.au/business/business/company/2017/06/27/wa-lithium-project-secures-cefc-investment.html>

I've been using a similar narrative to good effect at neighborhood barbeques and with New York City friends now visiting summer hamlets throughout the US Northeast, like Long Island's Hamptons or Nantucket, Maine, host to an **Impact Capitalism Summit** in July, run by one of my high school buddies:

<http://www.impactcapitalismne.com/home.html>

Perhaps a lithium track at that venue next year...

Imagine alternative-energy-believing, U.S. Department of Energy Secretary Rick Perry writing a similar letter to that above for a would-be Pilbara of the USA, **Piedmont Lithium** (ASX: WCP), North Carolina. It's not the craziest idea – both ALB and FMC received Department of Energy funding from the Obama Administration for lithium projects in North Carolina.


As did **Boston Power**, a name which came to my attention in the past few weeks as GSR Capital, an investment affiliate of Boston Power's interim CEO, Sonny Wu, announced on May 31 a



subscription agreement to invest \$20M in Hong Kong-listed **Burwill** to help fund off-take agreements Burwill signed with **Tawana** and **Alliance Mineral Asset Ltd.**

Burwill announced Friday evening, June 30, ahead of the long weekend, that conditions precedent for this subscription agreement were not met, so the GSR investment is not proceeding. Oops. Can financially struggling Burwill, who's auditors question its going concern status, advance its next AUD 9M+ payments to Tawana and AMAL on July 15? My guess is Burwon't.


On a related note, I observe Tawana's JV partner Alliance Mineral's market cap is nearly 2X Tawana's, though they essentially share equally in Bald Hill economics? And that Alliance's stock (SGX: 40F) trades disproportionately high trading volume – USD 2.5M per day. And that in a June 16 insider filing Alliance's husband and wife CEO and Corporate Treasurer sold down their joint stake by a sizeable 9.9% block, pocketing USD 11M.



**Suen Sze Man**  
Millionaire  
@suenszeman  
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**Suen Sze Man** Millionaire  
16 June 2017

**Reduced** 46.07M deemed shares of ALLIANCE MINERAL ASSETSLIMITED at 0.32 SGD (off-market transaction)

Total: 14,743,932 SGD

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**Suen Sze Man** Millionaire  
3 Apr 2017

**Increased** 300K deemed shares of ALLIANCE MINERAL ASSETSLIMITED at 0.305 SGD (market transaction)

Total: 91,500 SGD ▲ +6.56%

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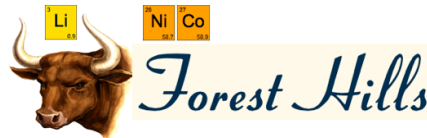


**Suen Sze Man** Millionaire  
14 Oct 2016

**Reduced** 32.04M deemed shares of ALLIANCE MINERAL ASSETSLIMITED at 0.111 SGD (off-market transaction)

Total: 3,556,239 SGD

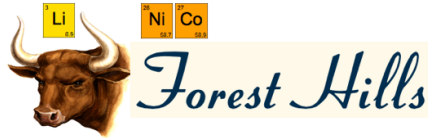
**Caveat Emptor: The Bald Hill story seems to have some hair.**



### Galaxy vs. Orocobre

It has not been helpful to lithium equity sentiment that blue-chip emerging producer Galaxy has fallen nearly 40% to AUD 1.60 since Canaccord led institutional investors to invest AUD 60M equity at what I suggested looked an inflated AUD 2.70 per share in February. I believe Galaxy should rebound soon – the selloff looks overdone as Orocobre's did earlier this year, and it has too many fans and good liquidity. Canaccord, Citi and Joe Lowry have all come out strongly to refute Deutsche's DSO scare-mongering.

But I prefer Orocobre and believe its investment case is stronger. For current lithium production, Olaroz is a far better, profitable and strategic producer of lithium carbonate than Mt. Cattlin, a short-lived, high mica, low recovery spodumene mine at the high end of the cost curve. I believe Orocobre's growth plans to 35K tons for Olaroz – based on 10-years operating experience – are more likely to be realized sooner than Galaxy's Sal da Vida 25K tons, which will continue to grapple with absence of strategic partner vs. go-it-alone. Mr. Market gives zero value for Orocobre's Borax as it does Galaxy's James Bay, so I don't expect any catalysts from these in either share.



Last 3 months ORE +25%, GXY -17%





### Oligopolistic Pricing Power

No, not the Top 5 lithium producers. But the small coterie of London-based resource fund managers who have been the most prominent and prolific funders of lithium developers. Leveraging their size and brand-name – and with relatively predictable funding needs of issuers – I observe a few institutions have yielded significant influence in the cost of capital of advanced developers looking to fully fund.

I reviewed the share registers of 11 lithium developers and found the following disproportionality of institutional investor lithium AUM, summarized from the more detailed spreadsheet below.

\$ 104,876,771	London
\$ 30,803,072	Canada
\$ 18,228,156	Cont. Europe
\$ 23,732,985	USA
\$ 17,168,157	Australasia

**Bacanora** wins the prize for the lithium developer with the most “smart money” institutional names on its register, along with a well-capitalized and credible Japanese off-take partner:

<b>Bacanora Minerals, LTD</b>		
<b>Institutional Ownership</b>		
<b>Name</b>	<b>Value USD, mm</b>	<b>Investment Center</b>
BlackRock Investment Management (U.K.), LTD	13.91	London
Hanwa Co., Ltd.	12.99	Osaka
Capital World Investors (U.S.)	9.03	Los Angeles/Pasadena CA
M&G Investment Management, LTD	8.85	London
Barclays Bank PLC	2.62	London

And yet Bacanora has the lowest market cap and is among the most illiquid of any of the Emerging Producers. These investors are playing a long game, but, without much competition, can dictate a low cost of entry. They are also building a diversified portfolio, with bets on other names.

**Side note:** As US public equity investors lament the shrinking number of listed stocks and the inability to participate early in companies who stay private for far longer with their VC investors, isn't it great that such early stage, high growth, venture capital opportunities exist in the lithium space for institutions and retail investors alike in public equity markets?



I re-iterate my expectation that the rapid-learning-curve-climbing US hedge funds, mutual funds and PE funds – as well as Impact Investing Millennial high net worth investors -- will follow London's lead and soon start to allocate capital to the lithium space. As Tesla Model 3s pop up on streets everywhere from late July, trading volume and funding should be more readily available for the seven advanced projects above and more. And, with added competition to the current London oligopoly, lithium issuers should also start to get better pricing.

Consider:

- Several US Senators lost a boatload of cash speculating on an ASX-listed biotech Innate Immunotherapeutics. Others of their ilk surely can figure out ASX or TSX-listed green mining.
- But equally surely, some issuers will pursue the Great Prize, realizing the liquidity and valuation benefits of making it a lot easier for the average “Joe battery-pack” in Charlotte to trade through their E\*Trade account a \$5+ stock on Nasdaq/NYSE, not a sub \$1 stock on OTCQX or on a foreign exchange, which is cumbersome to trade.
- Speaking of which:

### **E\*Trade, in Bid to Survive, Returns to Its Roots**

Online brokerage pioneer targets active traders in ad campaign, sets ambitious growth goals – *Wall Street Journal*, June 30, 2017

A market signal for “risk-on” US retail trading? Funny ads worth watching:

<https://www.youtube.com/watch?v= BoUXcdFgYc>  
<https://www.youtube.com/watch?v=cLSecfkulqs>  
<https://www.youtube.com/watch?v=cLSecfkulqs>  
<https://www.youtube.com/watch?v=yRGHG C-dl0>

- To take a progressive lithium narrative to the extreme, one could argue that lithium is helping clear China's pollution and thus is like a drug that helps prevent lung cancer. And the lithium equity scoreboard above akin to a universe of biotech public venture capital, several of which will secure unicorn status and continue to partner and perhaps be bought by strategics at inflated valuations.
- Envision: Democratic Senate Minority Leader Chuck Schumer standing arm-in-arm with Republican Senate Majority Leader Mitch McConnell alongside re-trained Kentucky coal miners developing lithium deposits in North Carolina...



## Lithium Institutional Investor Oligopoly

Ticker	Fund	\$	Shares	City
NMX	Baring Asset Management, LTD (U.K.)	2.63	2,695,464	London
GXY	Baring Asset Management, LTD (U.K.)	2.47	7,084,217	London
ORE	Baring Asset Management, LTD (U.K.)	7.47	3,509,985	London
BCN	BlackRock Investment Management (U.K.), LTD	14.32	13,208,292	London
NMX	BlackRock Investment Management (U.K.), LTD	14.30	14,666,432	London
GXY	BlackRock Investment Management (U.K.), LTD	32.80	92,871,815	London
ORE	BlackRock Investment Management (U.K.), LTD	4.78	2,153,506	London
NLC	BlackRock Investment Management (U.K.), LTD	0.52	514,374	London
CRE	J.P. Morgan Asset Management (UK), LTD	6.45	11,225,437	London
NLC	J.P. Morgan Asset Management (UK), LTD	2.65	2,658,400	London
BCN	M&G Investment Management, LTD	8.41	8,399,642	London
NLC	M&G Investment Management, LTD	8.10	8,000,000	London
NMX	Van Eck Associates Corporation	2.06	2,626,990	New York Area
GXY	Van Eck Associates Corporation	3.07	9,066,576	New York Area
ORE	Van Eck Associates Corporation	3.06	1,203,506	New York Area
LAC	Van Eck Associates Corporation	2.44	3,502,654	New York Area
GXY	Norges Bank Investment Management (Norway)	4.95	14,214,962	Oslo
ORE	Norges Bank Investment Management (Norway)	2.34	1,101,748	Oslo
ORE	BlackRock Investment Management, LLC	3.33	1,497,001	Philadelphia
BCN	U.S. Global Investors, Inc. (Asset Management)	0.15	154,000	San Antonio TX
NMX	U.S. Global Investors, Inc. (Asset Management)	0.49	500,000	San Antonio TX
LAC	U.S. Global Investors, Inc. (Asset Management)	1.31	1,750,000	San Antonio TX
LIX	U.S. Global Investors, Inc. (Asset Management)	2.15	1,750,000	San Antonio TX
NLC	U.S. Global Investors, Inc. (Asset Management)	3.27	3,230,000	San Antonio TX
GXY	Arcane Capital Advisors Pte., LTD	0.63	1,800,000	Singapore
ORE	Arcane Capital Advisors Pte., LTD	0.81	380,000	Singapore
LAC	Arcane Capital Advisors Pte., LTD	0.13	173,580	Singapore
NMX	90 West Asset Management, LTD	0.11	111,540	Sydney
ORE	90 West Asset Management, LTD	0.03	12,787	Sydney
LAC	90 West Asset Management, LTD	0.14	190,887	Sydney
LAC	1832 ASSET MANAGEMENT U.S. INC.	0.00	0	Toronto
NLC	1832 ASSET MANAGEMENT U.S. INC.	0.40	391,200	Toronto
LAC	Arrow Capital Management, Inc.	0.41	594,100	Toronto
LIX	Arrow Capital Management, Inc.	0.68	498,100	Toronto
LSC	Arrow Capital Management, Inc.	1.27	1,123,700	Toronto
NMX	BMO Asset Management, Inc.	1.07	1,100,000	Toronto
LAC	BMO Asset Management, Inc.	0.61	808,000	Toronto
ORE	CIBC Asset Management, Inc.	3.89	1,678,097	Toronto
AAL	CIBC Asset Management, Inc.	3.01	7,607,440	Toronto
NMX	First Asset Investment Management, Inc.	0.09	98,853	Toronto
GXY	Mackenzie Financial Corporation	2.61	7,500,000	Toronto
ORE	Mackenzie Financial Corporation	0.00	0	Toronto
NLC	Mackenzie Financial Corporation	2.28	2,250,000	Toronto
CRE	RBC Global Asset Management, Inc.	0.03	56,900	Toronto
NMX	RBC Global Asset Management, Inc.	1.01	1,036,400	Toronto
NLC	RBC Global Asset Management, Inc.	0.90	886,400	Toronto
LAC	Connor Clark & Lunn Investment Management, LTD	1.03	1,372,100	Vancouver
LIX	Connor Clark & Lunn Investment Management, LTD	0.69	557,020	Vancouver
ML	Vertex One Asset Management, Inc.	0.68	615,400	Vancouver
AAL	Vertex One Asset Management, Inc.	0.54	748,000	Vancouver
CRE	Commodity Capital AG	1.16	1,931,000	Zürich
NMX	Commodity Capital AG	1.46	1,500,000	Zürich
GXY	Commodity Capital AG	1.48	4,250,000	Zürich
ORE	Commodity Capital AG	1.60	750,000	Zürich
LAC	Commodity Capital AG	1.95	2,600,000	Zürich
LIX	Commodity Capital AG	0.92	750,000	Zürich
ML	Commodity Capital AG	0.56	512,300	Zürich
AAL	Commodity Capital AG	0.35	800,000	Zürich
NLC	Commodity Capital AG	0.25	250,000	Zürich
CRE	UBS AG (Asset Management Switzerland)	1.82	3,029,405	Zürich
GXY	UBS AG (Asset Management Switzerland)	0.06	170,065	Zürich
ORE	UBS AG (Asset Management Switzerland)	0.02	11,152	Zürich



### **Disclaimer**

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