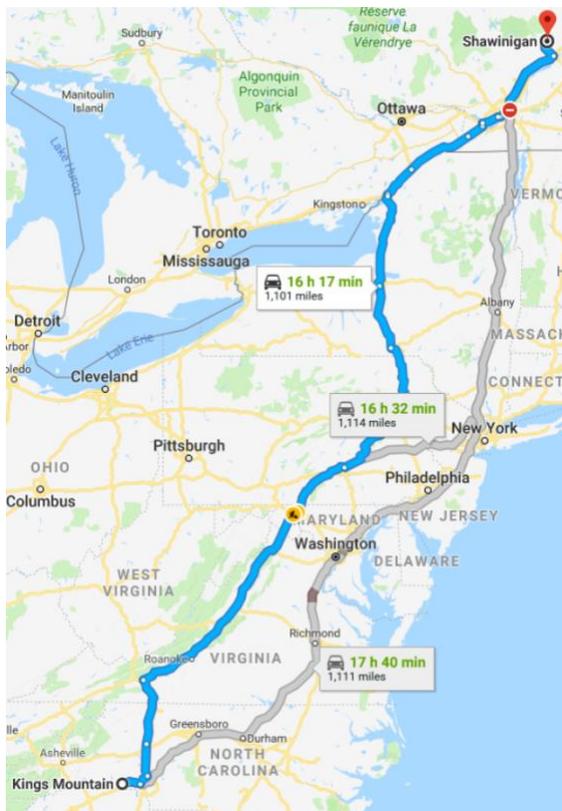




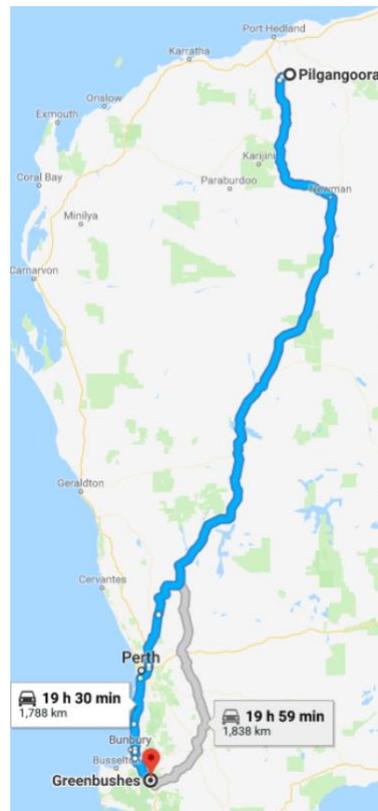
**June 4, 2018 - #Lithium Rockin' in the Free World**

I am a big believer that low cost, high margin hard rock lithium mining and processing in North America could one day hold meaningful global market share alongside what one headline writer recently dubbed *Lithium Valley*, Western Australia. With Mt. Cattlin, Mt. Marion, Mt. Holland - and to stretch the metaphor, Bald Hill -- perhaps a more apt label is *Lithium Mountain*?

But actually, let's reserve that phrase for the North America area from the Charlotte Quadrangle to Quebec. Kings Mountain, North Carolina, is home, of course, to **Albemarle's Kings Mountain**, a real life, past producing lithium mine that in Albemarle's public presentations have been labeled the **second highest grade next to Greenbushes**.



Kings Mountain, NC to Shawinigan (Nemaska)



Greenbushes to Pilgangoora



**PLS AUD 1.68B PLL AUD 97M**



### Kings Mountain, U.S.A.

- Large reserve 380k MT LCE
- Second best ore quality globally: 1.8 - 2.0% lithium oxide (Li<sub>2</sub>O)
- Inactive hard rock mine since mid-1980s

Source: **Albemarle** - Investor Day Presentation March 2017

---

**Fun Fact:** “Pied” means “Foot” in French. “Mont” means “Mountain”

Piedmont

Foot Mountain... At the Foot of Kings Mountain

**Future Headline**

*North Carolina Declares USA **Lithium Independence***

***Made in America***

***Critical Mineral***

---

I also believe that niche suppliers of hard rock spodumene in places like Brazil (**Sigma, AMG**) and Portugal (**Savannah Resources**) will be successful. More on these in the future.



Quebec, Canada, North America

...“Keep On Rockin’ in the Free World”...  
 ...“O Canada, we stand on guard for thee”...



Neil Young & Friends - Rockin' In The Free World / O Canada (Live 8, Barrie, Canada, 2005)

Live 8, 2005: <https://www.youtube.com/watch?v=8ouSPCDvjV4>

### Neilmaska Young & Friends

- Softbank Vision Fund
- Ressource Quebec
- FMC
- Johnson Matthey
- Northvolt
- Cree Nation
- Nordic Secured Bond Holders
- Orion Mine Finance Stream
- Hanwa<sup>1</sup>

Fully Funded  
 NOT MADE IN CHINA<sup>1</sup>



Congratulations Talented Guy!



US & THEM – Non-China & China

<sup>1</sup>As Whabouchi spodumene production will begin before Shawinigan hydroxide and carbonate is commissioned, NMX smartly struck a take-or-pay spodumene off-take with Hanwa on behalf of China’s General Lithium. A downside case (and primary security for Nordic Bond Holders) is, like CATL/NAL, Altura, Pilbara, Mineral Resources and Tawana, Nemaska should be able to sell its spodumene soul to China to service debt & additional working capital, in event Shawinigan ramp hiccups.



## Nemaska's Capital Structure – The Final Dilution?

However Inefficient, Mr. Market has nevertheless begun to scrutinize all the demands on a given lithium project's revenues and operating income and the likelihood of constructing and commissioning on-time, on-budget, ramping up to planned capacity and operating at the advertised super low operating costs.

There are big entities secured and senior to equity in Nemaska's cap structure. Lots of interest needs to be paid and principal amortized. And the Orion streaming deal will take 9% of Nemaska's first \$50-75M right off the top of revenue every year.

Sources				Uses	
Equity Bought Deal	\$ 280		\$ 239	Whabouchi Mine - Direct & Indirect Costs	
Equity Private Placement - Ressources Québec	\$ 80		\$ 30	Contingency - Whabouchi Mine	
Equity Private Placement - SoftBank	\$ 94		\$ 462	Shawinigan Plant - Direct & Indirect Costs	
<b>Total Equity</b>	<b>\$ 454</b>	41%	\$ 70	Contingency - Shawinigan Plant	
Secured US\$350 mm Bond Financing	\$ 455		\$ 801	Project Capex	
Stream Financing	\$ 195		\$ 128	Interest Reserve (12 Months Interest Payable)	
<b>Total Debt</b>	<b>\$ 650</b>	59%	\$ 87	Working Capital	
			\$ 40	Cost Overrun Account	
			\$ 48	Deal Fees & Transaction Related Costs	
<b>Total Sources</b>	<b>\$ 1,104</b>		\$ 1,104	Total Uses	

Nemaska's full financing equates approximately to a 60/40 debt/equity split. A well spread institutional and retail CAD 280M Bought Deal (assuming no exercise of CAD40M green shoe) complemented a private placement with the Quebec Government – through its venture capital arm **Ressources Quebec**, providing a chunky CAD 80M subsidy, or 15% of the equity book. A ~100B **Vision Fund's** burning hole in **Softbank's** pocket, dipped into its petty cash account to place a VC chip one twentieth the size of its bet on Autonomous Vehicles with General Motors. Softbank's CAD 94M and RQ's 80M, or ~CAD 170M between these two, essentially pays for two line items on the Nemaska Uses of Funds list:

**Deal Fees: CAD 48M!!** Party Time on Bay Street. And Oslo.

**Interest Reserve: CAD128M**

### SoftBank's massive Vision Fund raises \$93 billion in its first close

Jon Russell @jonrussell / May 20, 2017

Comment



Softbank has helped Nemaska reach near CAD Unicorn status



Nemaska's Secured Bond requires quarterly interest payments – in cash, not PIK – immediately. Given Nemaska won't be cash generative for a while, the bond holders require 12 month's interest sit in escrow. Essentially 128M of the CAD454M equity investors provided, will be paid to Secured Bond Holders for their first 4 quarterly interest payments.

I'd prefer to be an NMX bond holder – 11.25% interest, secured by 43M high grade Whabouchi tons -- than an equity holder at this juncture. I expect the bond to trade up in the aftermarket, similar to the way Pilbara's bond has.

Post money, Nemaska has some 900M shares outstanding, so CAD 900M market cap at CAD 1.00 bought deal price. I consider the Orion stream as subordinated debt, so CAD 650M debt + 900M equity is CAD 1.55B Enterprise Value. Similar to **Pilbara**. Or **Galaxy**. Or **Orocobre**. All more de-risked projects with current or imminent cash flow.



I'm rooting for Guy and the Nemaska team to execute according to the DFS articulated in its \$500M shelf prospectus.

## 2018 Feasibility Key Figures

LITHIUM

<b>Expected Mine Life and Payback Period</b> <b>33 years</b> with 2.9 year payback period (after-tax)	<b>Yearly Average Production</b> <b>Whabouchi Mine</b> ≈ 213,000 tonnes of concentrate (6.25% Li <sub>2</sub> O) <b>Shawinigan Electrochemical Plant</b> ≈ 23,000 tonnes of lithium hydroxide ≈ 11,000 tonnes of lithium carbonate
<b>Average Cost Per Tonne - Spodumene Concentrate</b> CAD 334/t (USD 257/t) CIF Shawinigan (open pit)	<b>NPV</b> CAD 3.3B (USD 2.5B) 8% Discount (pre-tax)      CAD 2.4B (USD 1.8B) 8% Discount (after tax)
<b>Average Cost Per Tonne - Lithium Hydroxide</b> CAD 3,655/t (USD 2,811/t) FOB Shawinigan	<b>Internal Rate of Return (IRR)</b> <b>34.4%</b> (pre-tax) <b>30.5%</b> (after tax)
<b>Average Cost Per Tonne - Lithium Carbonate 99.99%</b> CAD 4,424/t (USD 3,403/t) FOB Shawinigan	<small>Sales Prices FOB Shawinigan lithium hydroxide USD14,000/t, lithium carbonate USD 9,500/t for first 3 years and USD 12,000/t thereafter            All calculations assume a 6.25% (Li<sub>2</sub>O) spodumene concentrate            Exchange rate CAD/USD: 0.77</small>
<b>Total Initial Capital Costs</b> CAD 801m (USD 616m) in CAPEX including contingency	

Source: Nemaska Lithium Feasibility Study, Issue Date 21st of February 2018

15

In which case the stock could double or more in 2-4 years.

But 1.6B EV today is equivalent to 63% of its CAD 2.4B after-tax NAV. That sounds reasonable if you believe the Rosskill forecasts for carbonate and hydroxide underpinning this study (see below). In my view, **Rosskill** has more credibility and has done a lot more work bottom up analyzing lithium supply than Morgan Stanley. Looking forward to seeing **Benchmark Minerals' first ever lithium forecasts** coming soon.

Nemaska looks not cheap, not expensive to me – room for meaningful upside or downside given they have 12-18 **SHOW ME** months ahead of them. This is a large, ambitious project with many moving parts and imperfect logistics, using new technology at scale. A very high \$30K capital intensity per ton. Many, many people need to be hired.

**Altura** and **Pilbara's** spodumene-only projects are simpler with imminent revenue and far less debt to repay. **Orocobre** has very low 4.5% debt and **Galaxy** is debt free and both are already generating meaningful quarterly cash flow. As is Screaming Buy Album nominee **Mineral Resources**.

**NOT INVESTMENT ADVICE. DO YOUR OWN RESEARCH**



**Lithiumionbull** @HowardKlein10 · 17m

Looking forward to seeing @benchmarkmin first lithium forecasts next week. @globallithium too. Will they look more or less attractive than...

**Simon Moores** @sdmoores

✈️ 🇬🇧 > 🇺🇸 Quite looking forward to @AABConference in San Diego where I will present @benchmarkmin views on lithium and new forecast numbers. Time for a reality check on how much lithium can really be produced by 2025.

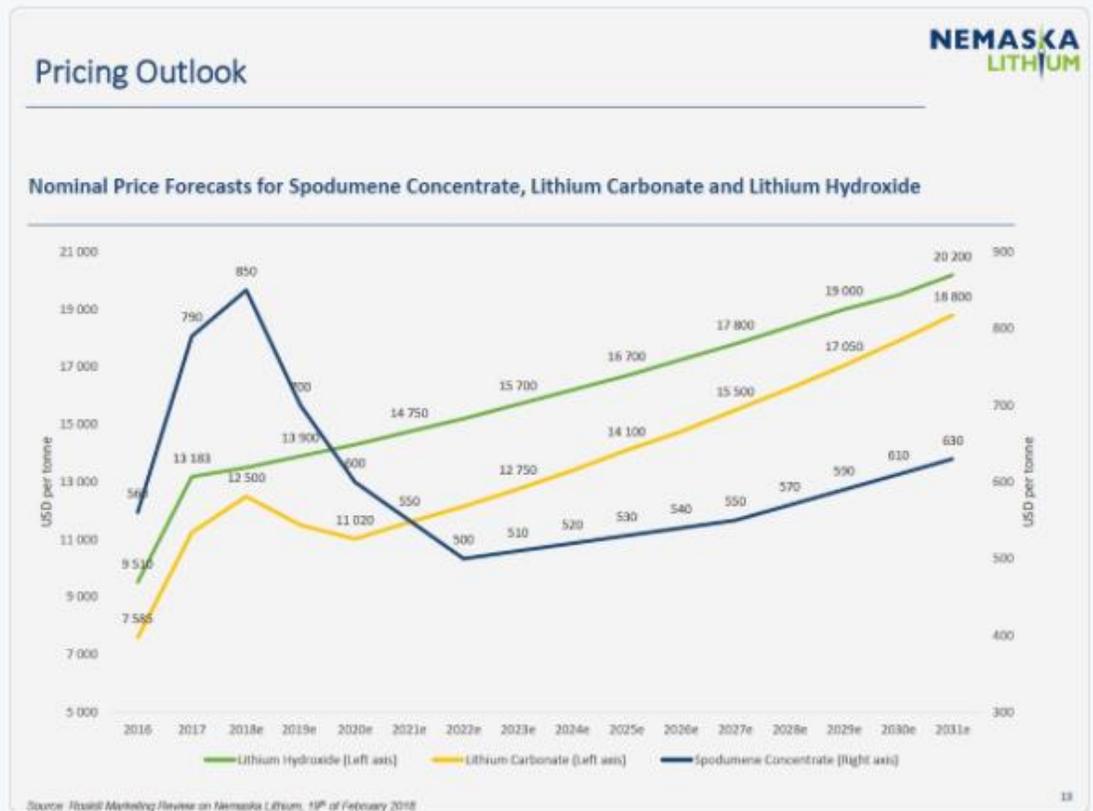


**Lithiumionbull** @HowardKlein10 · 17m

...@Roskill\_Info bullish numbers used in the @Nemaska\_Lithium Feasibility Study and just completed \$1.1B financing? See attached.

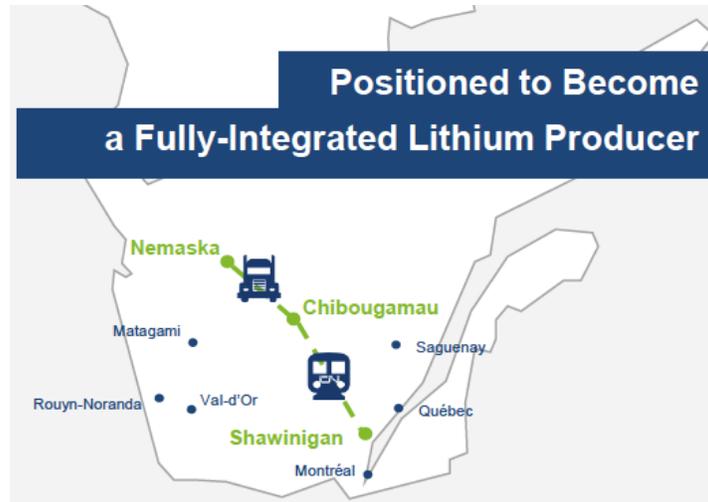
Commodity Investing 101: Commodity Equities Follow Commodity Prices

(Eventually!) #lithium #lithiumionbull





## Nemaska - Logistics & Climate



**Whabouchi  
Chibougamau  
Shawinigan**

Say that 10 times fast..

Whabouchi, Chibougamau, Shawinigan...  
Whabouchi, Chibougamau, Shawinigan...

...with a French accent

**Nemaska 2-minute Video:**

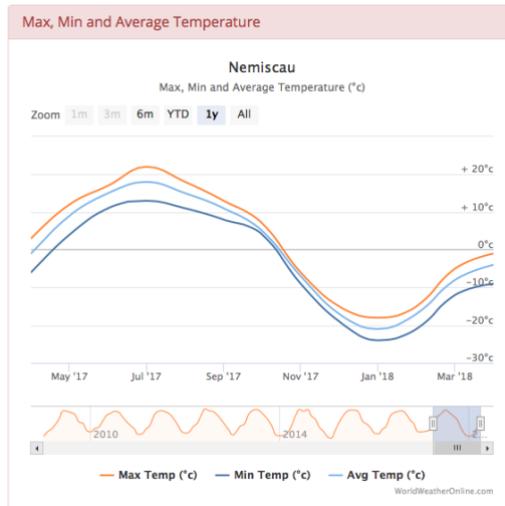
[https://www.youtube.com/watch?time\\_continue=35&v=Ae01Pft-9JE](https://www.youtube.com/watch?time_continue=35&v=Ae01Pft-9JE)





**COLD HARD FACT:**

For about 6-7 months, from late October through early April Whabouchi region temperature ranges from -25% to -2% Celsius. **MINUS 25%!**

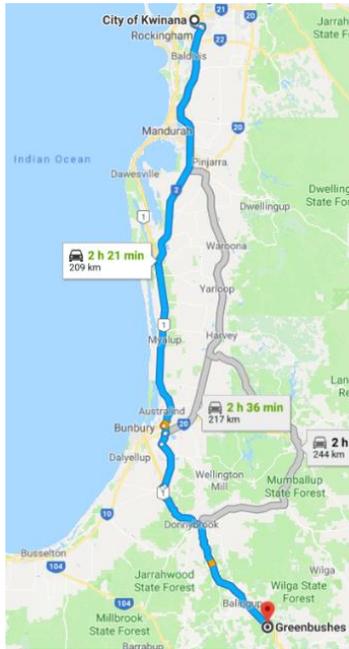


Whabouchi spodumene concentrate must travel a relatively long **855km** before entering Nemaska’s Shawinigan Electrochemical Plant. And the concentrate must be handled multiple times – on and off truck, on and off train. Many and frequent fossil-fuel-fired trucks traveling 300km on gravel road. Another 555M fossil-fueled train to Shawinigan. Cleaner and Greener than Oz Spod Con to China, for sure, but still not optimal. And costly. ~\$50/t cost from Whabouchi to Shawinigan.

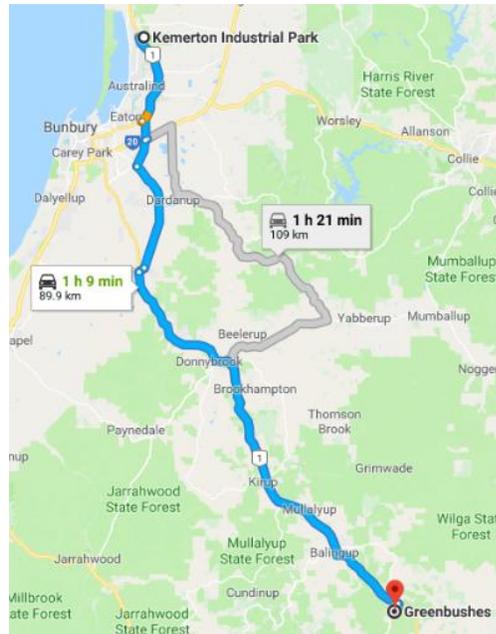




**Compare Logistics to Lithium Valley, West Australia: Integrated Mine-to-Hydroxide Players**



**Tianqi:** Greenbushes to Kwinana **200km**



**Albemarle:** Greenbushes to Kemerton **100 km**



**Kidman/SQM:** Mount Holland to Kwinana: **475 km**



## Golden Years

Young American **Piedmont Lithium** and **La Negra**-challenged **Albemarle** are operating in a **Golden Years** era for **Proven Plain Vanilla Spodumene** ores. The **Hard Rock Hydroxide Advantage** is making me re-evaluate the Lithium Valley West Australia and Lithium Mountain Charlotte Quadrangle vs. the Lithium Triangle brine carbonate thesis. Hard Rock market share vs. Brines could sustainably stay at 60-70%+ over time rather than revert back to today's 50/50, SQM's capacity scare tactics notwithstanding. SQM has said and Orocobre, FMC, ALB can attest - brines are hard.

**David Bowie - Golden Years (Soul Train):** <https://www.youtube.com/watch?v=A8u8mODGOlg>



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**Think Different**

Mining and Processing within 5-20 km from each other: #cost savings

### **The North Carolina Advantage Meets The Hard Rock Hydroxide Advantage**

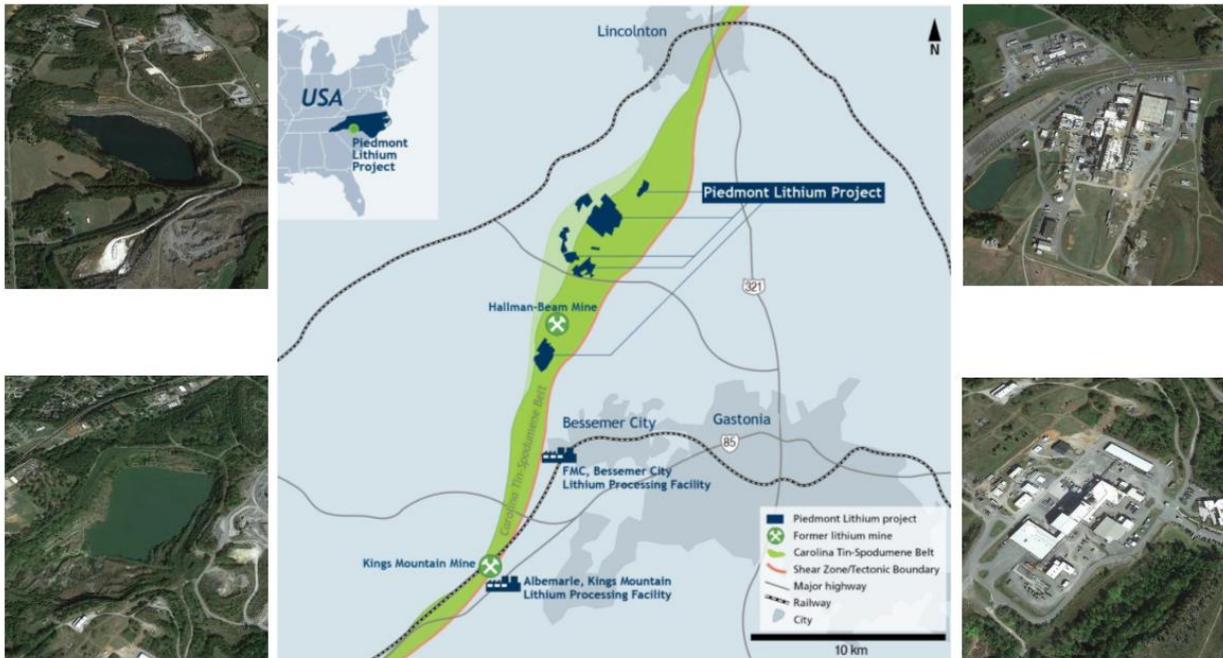
*Lovely climate. Rarely snows.  
Abundant, non-unionized workforce  
Strong chemical engineering talent  
Low cost electricity  
Low corporate income tax  
No state or federal royalties  
Mining Friendly US State  
World Class roads, rail, energy and ports  
100% project ownership  
100% uncontracted off-take  
Clean capital structure  
High After Tax Cash Flows*



**Albemarle** Headquarters and Lithium Processing

**FMC** Lithium Processing

## The Cradle of the Lithium Industry



Source: **Piedmont Lithium**



## Kidman – The Great Wall of Tesla

Western Australia is no doubt a fantastic Free World jurisdiction. But in my **US & THEM, China & Non-China** view of lithium land's evolution, Kidman is the only Wizard of Oz that is Free From connection to Socialism with Chinese Characteristics in their capital structure or supply chain. Which is another wrinkle if Tianqi is allowed to purchase 3 SQM board seats and could one day influence production decisions at Mt. Holland.

To all those wondering/complaining why is it only Asian companies – most prominently Chinese SOE Automaker **Great Wall** with **Pilbara** – investing in lithium companies and where are the Americans and Germans, here we have the very first off-take from the coolest disrupter in the transportation and utility industries, **Elon Musk's Tesla**.

Tier One Assets attract Tier One Partners.

Iron Man Elon Musk deservedly gets Hollywood Celebrity and Rock Star treatment in Oz for the great ESS success in South Australia in particular. Australia offers a nice reprieve from the badgering he gets from US media and Wall Street of late.

Kidman/Tesla is no History Repeat or Rhyme – This is no Lithium Model 1, Simbol. Or Lithium Model 2, Pure Energy and Bacanora.

No, this is **Tesla Model 3 Lithium. FIXED PRICE. BINDING CONTRACT.** Details confidential. Highly sensitive. But looks to me like Kidman's in the Driver's Seat.

Kidman/SQM's likely lower quartile LiOH is the real deal.

Kidman's 2021 Hydroxide should arrive just in time for Tesla to need it.

The fixed price should offer predictability that low cost project debt providers require.

And a benchmark/competitive tension for additional off-takes Kidman has indicated to the market are likely forthcoming soon.



Kidman Blue Sky from Stuart McIntyre at Australia's Blue Ocean Equities is worth reading and more on point than more skeptical commentary I've heard in this hemisphere.

## KIDMAN RESOURCES (KDR)

Offtake agreement signed with Tesla

Analyst Stuart McIntyre  
 Email steuarmcintyre@boeq.com.au  
 Phone +61 2 8072 2909  
 Date 18 May 2018

We say	Price	Target	Strategic Target
<b>BUY</b>	<b>2.22</b>	<b>3.00</b>	<b>4.00</b>

Pre-market open yesterday, Kidman confirmed it has signed an offtake agreement with Tesla, a *major* de-risking milestone. The initial 3-year fixed price contract covers less than 25% of KDR's share of planned production (22ktpa LiOH), and is extendable for two additional 3 year terms. KDR has also had strong offtake interest from other "strategic, globally significant parties" and we believe additional offtakes could land near term. We lift our target to \$3.00 (\$2.50) & maintain conviction Buy.

### SHARE PRICE CHART



### FORECAST OPERATING CASHFLOW



Note: Includes conc sales in CY20

### COMPANY DATA & RATIOS

Enterprise value	\$880m
Diluted market cap*	\$891m
Diluted shares*	401m
Free float	100%
12 month price range	\$0.41-2.37
GICS sector	Materials
Board & Management hold	-1.4% (FD)
*Diluted for 1.9m options	

### IMPLIED RETURN

Implied all-in return	35%
-----------------------	-----

### 1<sup>ST</sup> QUARTILE COSTS

There has been a notable recent change to Kidman's presentations with the company now talking about "first quartile cost" lithium hydroxide production from its Mt Holland integrated lithium operation in WA. The previous language was "bottom half of the cost curve". We believe the improved language suggests studies underway are yielding promising results. Lithium hydroxide is the preferred product used by many EV manufacturers, like Tesla.

### HIGHER PRODUCTION LIKELY LONGER TERM

The JV is targeting 44ktpa LiOH at Mt Holland initially and we estimate EBITDA of over US\$300m (100%) at a lithium hydroxide price of US\$12,000/t. We estimate the NPV of KDR's 50% at A\$1.2bn. The JV also has plans to grow production to 88-110ktpa LiOH longer term, which **we believe could make KDR an A\$2-3bn company over the next few years.**

### INCREASE PRICE TARGET 20% TO \$3.00

Our valuation of KDR is based on a NPV for Mt Holland using an unchanged LiOH price of US\$12,000/t. On signing the offtake deal with Tesla, a key de-risking milestone, we reduce our discount to NPV from 30% to 20% for initial production of 44ktpa LiOH. We also update our A\$/US\$ forecasts in line with the forward curve from Bloomberg. Our Strategic Target remains unchanged at A\$4.00.



**Sidebar:** Kidman's stock has had a similar spectacular run that Pilbara had in 2016.

**Flashback,** just three years ago, March 2015, Pilbara put out a relatively modest lithium resource estimate:

**16.6Mt @1.16% Li<sub>2</sub>O**

– less than half of Nemaska's Whabouchi

**March 5, 2015**



**Updated JORC 2012 Mineral Resource completed for the Pilgangoora Tantalum-Lithium Project** in WA's Pilbara region, with this interim upgrade incorporating the results of successful in-fill and extensional RC drilling completed late last year. The updated resource comprises:

- **Indicated and Inferred Resources of 21.7Mt @ 0.022% Ta<sub>2</sub>O<sub>5</sub> (tantalite) containing 10.7Mlbs Ta<sub>2</sub>O<sub>5</sub> and a Lithium Resource of 16.6Mt @ 1.16% Li<sub>2</sub>O (spodumene) containing 192,000 tonnes of lithium oxide;**

### **Plain Vanilla Hard Rock**

By January 2017 – just two years later, **Pilbara's resource had grown 10 times to 156Mt** and PLS earned USD Unicorn Status.



## Bromance in Singapore

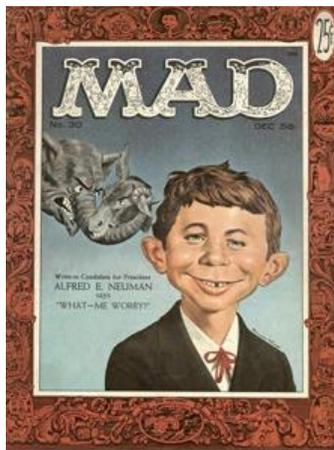
Trump/Trudeau tit-for-tat -- our best friends, the Canadians -- on steel and aluminum?!

Tit-for-tat in USA/China trade, intermingled with USA/China/North Korea **NUCLEAR DISARMAMENT?**

Remember Trump/Rubio debate about Small Hands? Well how about Little Feet?

## The **Donald** and Rocket Man

**Fat Man in the Bathtub (Little Feat, 1975):** <https://www.youtube.com/watch?v=S1AWV3F8mul>



## What, Me Worry?

Dubya's Architect & Svengali Karl Rove provided an excellent alternative focus for Trump's Rust Belt Industry China Trade Policy:

## Trump Should Play the Long Game on Trade

While the U.S. fixates on steel, China seeks to dominate 21st-century technology.

<https://www.wsj.com/articles/trump-should-play-the-long-game-on-trade-1527717121>

80-year-old Distressed Turnaround Investor and life-long Democrat Commerce Secretary **Wilbur Ross** is negotiating with China in support of Old Economy when he should be encouraging China to follow Softbank and invest billions with the likes of GM CEO Mary Barra not just in autonomous vehicle technology, but the upstream supply chain cathode and battery plants.

*Adjacent, of course, to high quality sources of raw material supply. **If Tesla will build a Gigafactory in China, why won't CATL build one in Auto Alley USA? Detroit, Kansas City, Tennessee, Alabama etc. An opportunity exists in the USA to have a fully integrated EV supply chain from mine to processing to cathode to battery to EV. We are currently only missing cathode and hard rock spodumene mining and conversion, with the latter on its way to revival. Shouldn't deals similar to LG Chem and Huayou Cobalt JVs for cathode and pre-cursor plants in China be done in USA?***



The Chinese could revive the DeLorean brand and build a Back to the Future EV:

**DeLorean Aerospace's Flying Car:** <https://www.youtube.com/watch?v=OYiQXR1iS1o>

Sourced from a Back to the Future Greenbushes/Kwinana/Kemerton-like lithium mining and processing in the Lithium Mountain Charlotte Quadrangle:

**Back to the Future:** <https://www.youtube.com/watch?v=Psxktpxkc6o&t=122s>

**Sidebar:** Made in China IPO **CATL** was told by Chinese regulators that it could not raise more than \$1B. They planned \$2B. Not because there was not enough demand, but because there is too much! The Chinese government is essentially putting a price control on P/E ratio! Not a terrible idea as China has a very large population of young and newly rich speculators. But CATL will have to adjust its growth strategy.

Which means its lithium investment in Free World Quebec's **North American Lithium** may slow down development of its carbonate converter. So, expect NAL to be largely a spodumene producer for the foreseeable future.

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**Coming Soon to USA**

*"He loved to drive in his (all-electric) **Jaguar**"*



**Welcome to the Machine**

<https://www.youtube.com/watch?v=ilsyXheyt-g>

**Roger Waters Us & Them May 2017**



*Disclaimer*

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