



## Issue 55: Lithium-ion Bull February 17, 2020

### Bloomberg New Energy President's Day

A **Chairman of the Board, Frank Sinatra, New York, New York Election** is looking increasingly possible. Bloomberg's risen from 8 to 15% in Quinnipiac's National Poll. A cacophony of "Start Spreading the News" voices have rapidly emerged in the wake of Bernie Fever in Iowa/New Hampshire from the Democrat, Media and Hollywood Establishment. John Arnold - billionaire better against Enron, Breakthrough Energy Coalition leader and now, through his Centaurus family office, **ioneer** investor, tweeted the following Vegas odds...



**John Arnold** ✓ @JohnArnoldFndtn · Feb 12

Most recent national poll:

1. Sanders
2. Biden
3. Warren
4. Bloomberg
5. Buttigieg
6. Klobuchar

Current Vegas betting odds:

1. Sanders
2. Bloomberg
3. Buttigieg
4. Biden
5. Klobuchar
6. Warren

Again – no value judgment here -- but simply looking through the prism of what will be good for equity markets broadly and lithium EV Energy Storage thematic specifically, a second Trump term will likely continue to be positive the former and neutral the latter; a Bloomberg New Energy President strongly positive both. I continue to believe no one other than Bloomberg can beat Trump.

So, ex Coronavirus wildcard – a high probability 3-6 month headwind, low probability black swan – and post Trade War 2018/19, post cashed-up Tesla \$2B new equity at \$750 ahead of April 1TW battery day, what most resonated Valentine's Day morning was the following Classic Rewind sequence I heard as I dropped off my kids at school:

|                |                         |
|----------------|-------------------------|
| The Cars:      | Let the Good Times Roll |
| Tom Petty:     | American Girl           |
| AC/DC:         | Let's Get it Up         |
| Grateful Dead: | Touch of Grey           |



### Goodbye Ganfeng – see you again (soon?)

Taking my own (non-investment) advice from [February 2019: Southern Accents & Amazing Spider Man...](#)

*“to Jane and George Battery Pack: if you more than double your money in a relatively big cap industrial stock like ALB in 3 years it’s probably a good idea to take some off the table.”*

...I exited entirely my position in \$1772 last week in the mid \$30’s, having the good fortune to enter 15 months ago at lucky \$13 in the wake of an HKSE IPO as botched in its execution as **Ganfeng** is gifted in producing battery grade hydroxide from **MinRes** Mt Marion and **Altura** Pilgangoora rock for **Tesla**, **VW** and **BWM**.

To paraphrase what I said on [Lithium-ion Rocks Episode 2](#) about Rodney Hooper’s top pick Ganfeng last January – with a Western investor’s mindset, Ganfeng should ultimately trade at a discounted multiple to **Livent** and **Albemarle**, other things being equal, given that companies trading on developed market exchanges like the NYSE, follow SEC reporting and speak and write in relatively transparent English language typically trade at premiums to “emerging market” exchanges like Shanghai and Hong Kong.

My caveat to that statement however, was that China – and Hong Kong – at times march to different drums – from China retail the likes you might see at a Macau casino, to government entities propping up/bailing out heavily indebted zombies like **Tianqi**, or hot money inflows from western institutional investors that decide one day to “asset allocate” from “Underweight to Neutral” in “Emerging Market/Asia/China” or “Cyclical Commodities”. Extensive recent meetings and expert calls Rodney and I have had with some of the worlds blue-est chip mutual & hedge funds in Boston, NY & elsewhere – combined with Blackrock’s Larry Fink ESG virtue signaling ‘impact’ – leads me to believe such funds flows are underway into low free-float \$1772 and squeezing ALB/LTHM shorts in sympathy with Tesla.

I believe \$10.8B market cap Ganfeng can/will be a \$20B or \$30B market cap in what I believe is another inevitable lithium price spike in 2021/22 – as another holding of mine **Fortescue Metals Group** has done in iron ore. But I think I’ll have a better opportunity to re-enter. Lithium chemical producers have far more similarities to boom/bust commodities than disruptive technology cults like Tesla.

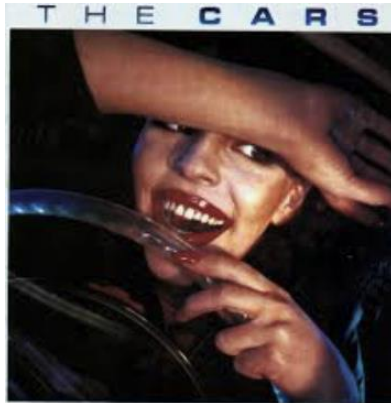


**Howard Klein** @LithiumIonBull · Feb 12  
\$1772 +4X since August, mkt cap: USD10.8B!

Nomura initiates, HK42 target, +15% current price.  
IPO Cornerstone China Structural Reform Fund, like [#LGChem](#) taking some profits.  
Ditto [@LithiumIonBull](#)

\$ALB: \$9.4B  
\$SQM: \$8.6B  
\$MIN: \$2.7B  
\$LTHM: \$1.6B  
[#RelativeValue](#)  
Not advice. DYOR





Let the Good Times Roll

Having succeeded much sooner than expected with Leading Indicator, Sounds of Silence, China Girl Ganfeng, I see better risk/reward elsewhere; and a history rhyme Roaring 20's #Lithium 3.0 unfolding with stocks that haven't moved as much – or at all...



**Howard Klein** @LithiumonBull · Feb 13

2016/17 #Lithium 2.0 began w/ #Ganfeng tripling in 2015. I flagged "Leading Indicator" \$1772 since Sept. Goldman called bottom Oct 22: \$ALB now +32% \$LTHM +59%. Lithium 3.0 underway IMO. #Coronavirus a wildcard, but #China - & China spot carb price - "A story" not "The Story"

**Goldman Sachs** | Equity Research

22 October 2019 | 5:40PM CDT

**Chemicals**  
Lithium S&D update and playbook as we approach a cyclical bottom; Buy ALB & LTHM

Over the last 2-3 years, sentiment for lithium stocks has reversed substantially, from one of the most favored segments in Chemicals, with leading industry producer ALB trading at a forward P/E valuation of 25-30x, to one of the most out of favor, with ALB's P/E now approaching 10x. A period of rampant enthusiasm for lithium stocks driven by expectations for bullish electric vehicle demand growth drove ALB's stock price from ~\$60 to ~\$140 between March 2016 and November 2017. However, as tight industry conditions moderated as new entrants ramped lithium production, investor sentiment began shifting bearishly in early 2018; this reversal in perception has since been validated by a 2-year decline in spot lithium prices with spot lithium carbonate falling from ~\$17k/t to ~\$9k/t. Short interest in ALB has doubled to 18mn

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...And, in the wake of Coronavirus worries about China-reliant supply chains, I see my 2030 Vision toward US and other 'Almost Famous' USA & other North American lithium assets gaining traction.



## Americas Lithium Animal Spirits & other Young Americans

*"Every silver lining's got a Touch of Grey (clay)" – The Grateful Dead*

I'm not sure I agree with those who argue Mr. Market was valuing Thacker Pass at zero on February 7 – the day LAC announced it is selling Minera Exar control to Ganfeng. Rather, embedded within LAC USD365M market cap that day was as much as USD 100M value for Thacker, IMO.

**Consider:** Ganfeng bought **51%** control of **MineraExar/Cauchari** through three transactions of (37.5% + 12.5% + 1%) for (\$85M + \$160M + \$16M) = **\$261M**. I believe it is misleading to focus only on those last two transactions and exclude the 37.5% for \$85M purchase from SQM (with \$50M down the road, subject to certain conditions).

**Blair Franklin**, an advisor hired by LAC's board to conduct a comprehensive **fairness opinion** in connection with Ganfeng's \$160M 12.5% investment, concluded eleven months ago that [100% of Cauchari was valued between \\$600 to \\$725M](#), implying **\$300-\$375M for LAC's 50% MineraExar share**.

Given that Argentina comparables like LTHM, ORE and GXY are flat to down since then, Argentina risk has increased, lithium prices remain subdued and carbonate has a weaker outlook than hydroxide, it's hard to argue that a higher valuation would be justified if Blair Franklin conducted a similar exercise today. And considering LAC now will own a minority 49%.

### En-Bloc Value Summary

Based upon the DCF Approach and to a lesser extent, the Precedent Transactions Approach and the Comparable Companies Approach, Blair Franklin believes an appropriate fair market value range for the Project to be **\$600** million to **\$725** million.

Table 11 - En-Bloc Value Summary

| (\$ millions)                    | Project En-Bloc Value |              |
|----------------------------------|-----------------------|--------------|
|                                  | Low                   | High         |
| DCF Approach                     | \$563                 | <b>\$824</b> |
| Precedent Transactions Approach  | \$539                 | \$719        |
| Comparable Companies Approach    | \$383                 | \$583        |
| Implied by LAC Market Cap        | \$528                 | \$631        |
| Implied by <b>ORE Market Cap</b> | <b>\$397</b>          | <b>\$415</b> |
| Implied by GFL-SQM Transaction   | <b>\$313</b>          | \$499        |



## Argentina comparables since LAC's Blair Franklin Fairness Opinion



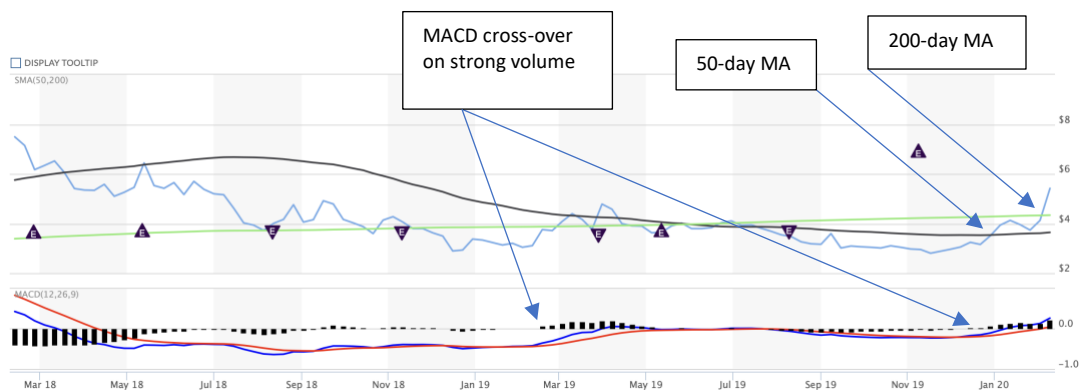
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So why so much upside Velocity in LAC following the transaction? I believe it was largely a response to bullish sentiment that Thacker Nevada USA clay will have its day, among other technical trading factors.

*"We don't know what could happen in Argentina long term," Jon Evans, Lithium Americas' chief executive, told Reuters. "We see Nevada as a better place to put our money."*

Will we see more LAC upside momentum in the near term? Or a quick pull back as we saw last Spring? I have limited understanding of technical trading but that won't stop me from seeing upward bias here:

### LAC – 2-year chart



With LAC at USD 492M market cap as of this writing, Thacker is arguably valued around \$250M – meaningfully more than three North American plays that in my view are as or more likely to be in production/acquired sooner, and thus could be poised for similar re-ratings:

- **Piedmont Lithium (market cap USD 72M)**
- **Bacanora (Ganfeng) (market cap USD 96M)**
- **ioneer (market cap USD 173M)**





Thanks once again to my good friend Jay Chmelauskas, ex WLC CEO, for the foresight to ring LAC management in summer 2015 with a well-timed merger proposal. And congratulations on your sizeable investment and new CEO role in creating a new copper vehicle in Peru, **Camino Minerals**.

## Camino Announces Private Placement and New Management Appointments

January 21, 2020

Edmonton, Jan 21, 2020 – **Camino Minerals Corp.** (TSXV: COR) (OTCQB: CAMZF) (WKN: A116E1) ("**Camino**" or the "**Company**") is pleased to announce that it has agreed to appoint Keith Peck to the new role of Chairman, and Jay Chmelauskas to the role of CEO and Director, to develop the advanced exploration stage Chapitos copper project, based in Chala, Peru. John Williamson has agreed to step down as CEO, but will remain involved with Camino as a member of a newly formed Advisory Board. The new leadership team plans to focus its efforts on the development of the Chapitos copper project as a potential copper oxide heap leach property.

English PDF

The Company is also pleased to announce that it has arranged a non-brokered private placement for gross proceeds of \$600,000 which will be used to advance its exploration strategy and for general working capital. The financing will be subscribed for largely by Keith Peck and Jay Chmelauskas.

Under Jay's leadership, **Western Lithium** cultivated a substantial and still exceptionally loyal USA retail shareholder base. Many profited handsomely from WLC/LAC's 2016/17 Macri Vamos Argentina while others have ridden a 10-year roller coaster believing Nevada clay will one day power Gigafactory #1.

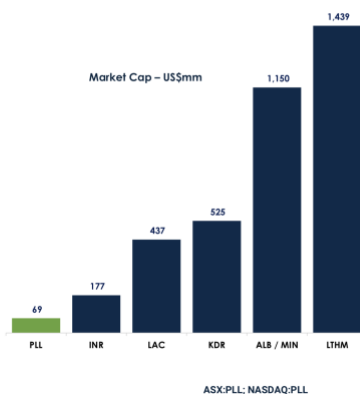
It is possible that we will wake up one day to learn that Elon Musk signs a deal with Thacker Pass; he has demonstrated some affinity for unconventional lithium – the famed Simbol Salton Sea bid and early MOUs with Bacanora and Pure Energy. But, to date, Tesla's focused more on conventional hard rock: **Ganfeng, Kidman, Albemarle**. I see **Piedmont** as more probable – and possible **Livent/E3** in Alberta - when/if Tesla/VW 'get into mining' integrating to lithium raw material/chemical as a further source of their competitive advantage: buying hydroxide at their own \$5,000/t cost vs. Ganfeng, Wesfarmers or Albermarle's \$10-14,000 market price can lower their battery cell cost by a not insignificant amount.

### Tom Petty: American Girl \$PLL

#### Hitting Milestones Should Drive Re-Rating in 2020

- ☒ First-mover land package
- ☒ 55,000m drilling
- ☒ Large high-grade resource
- ☒ Robust scoping study
- ☒ Section 404 permit
- ☐ Hydroxide testwork
- ☐ Prefeasibility study
- ☐ Offtake agreements
- ☐ Definitive feasibility study
- ☐ Financing and construction

PIEDMONT LITHIUM



Haplo @HC\_Haplo · Feb 13

Piedmont Lithium \$PLL Surprised that PLL hasn't received the same attention as other ASX lithium plays. It's the quiet ones you have to watch out for. #lithium

#### DECEMBER 2019 QUARTERLY REPORT

Piedmont Lithium Limited (ASX: PLL; NASDAQ: PLL) ("Piedmont" or "Company") is pleased to present its December 2019 quarterly report. Highlights during and subsequent to the quarter were:

- Completed federal permitting required to develop the proposed mine and concentrator at the Company's Piedmont Lithium Project ("Project") in North Carolina, United States, following receipt of a Clean Water Act Section 404 Standard Individual Permit from the US Army Corps of Engineers ("USACE").
- Appointed Hatch to deliver a pre-feasibility study ("PFS") for the Company's proposed lithium hydroxide chemical plant in Kings Mountain, North Carolina, United States. Hatch is a global leader in the development of lithium conversion projects and will utilize its experienced lithium staff to complete the PFS by mid-2020. Primero and Marshall Miller are continuing their work on the proposed mine and concentrator at the Project.
- In response to strong interest from prospective lithium hydroxide customers, the Company is accelerating the development of its lithium chemical plant by compressing its project timeline into a single-stage, effectively accelerating chemical plant development by one year while deferring the mine and concentrator construction start date by one year, resulting in integrated operations from day one.
- Completed the Company's Phase 4 drill program, which comprised 113 holes for a total of 18,393 meters. The Phase 4 drill program was successful in expanding the Project's mine life from 13 to 25 years (as reported in the expanded Scoping Study published in August 2019).
- Assays from the final 19 drill holes of the Phase 4 drilling program at our Central and Core properties intersected significant mineralization, including 36.9m @ 1.11% Li<sub>2</sub>O and 44.9m @ 1.30% Li<sub>2</sub>O in Hole 19-CT-19, 13.0m @ 1.28% Li<sub>2</sub>O and 7.3m @ 1.37% Li<sub>2</sub>O in Hole 19-CT-26, and 14.8m @ 1.55% Li<sub>2</sub>O and 12.4m @ 1.02% Li<sub>2</sub>O in Hole 19-BD-332.



Tara Berrie @TaraBerrie\_Li · Feb 14

Very smart strategy @PLLKeith @PiedmontLithium

### Australia's AC/DC: Let's Get it Up \$PLL



### The USA-listed "Big 5"

|                             |                  |
|-----------------------------|------------------|
| ALB<br>Albemarle Corpora... | 90.43<br>+11.93% |
| SQM<br>Sociedad Quimica...  | 31.15<br>+8.80%  |
| LTHM<br>Livent Corporation  | 11.20<br>+17.65% |
| LAC<br>Lithium Americas...  | 4.300<br>+7.77%  |
| PLL<br>Piedmont Lithium...  | 8.43<br>+0.36%   |



Howard Klein @LithiumlonBull · Feb 4  
#Lithium animal spirits #Nasdaq #NYSE

Jane & George #battery pack portfolio, zero commission trading

#coronavirus bottlenecks to #China #Korea supply chain a critical mineral reminder

Microcaps tend to lag big/midcaps

#TheManhattanProject

\$PLL

Not advice. DYOR

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### Caveat Emptor: insecure about Secured Debt. #MineraExar #NotTalisson

Juniors controlled by majors – via parent/project equity, secured debt and/or super long-term off-take -- are risky. Construction/early commissioning is the most problematic time for a junior developer. I believe MineraExar/Cauchari, in time, will be an important lithium supplier. My biggest worry for LAC is its \$205M secured debt, the biggest drawdowns of which will be hitting each quarter this year. Risk of equity dilution by this time next year in event of a cost overrun should not be discounted.

#### 6. LONG-TERM BORROWINGS

|  | As at September 30, 2019 | As at December 31, 2018 |
|--|--------------------------|-------------------------|
|  | \$                       | \$                      |
| Credit facility (net of financing costs) | 83,022                   | 17,356                  |
| Share of Joint Operation borrowings      | 27,983                   | -                       |
| Other liabilities                        | 4,675                    | 671                     |
|  | 115,680                  | 18,027                  |

#### Credit Facility

During the nine months ended September 30, 2019, the Company received \$66,250 from its drawdowns of the \$205,000 senior credit facility, including \$43,063 from Ganfeng and \$23,187 from BCP Innovation Pte Ltd. ("Bangchak"). The total drawn under the facility as at September 30, 2019 was \$83,750. The credit facility has a term of six years from August 8, 2018, with an interest rate of 8.0% for the first three years that increases to 8.5% in year four, 9.0% in year five and 9.5% in year six. The repayment of the credit facility must start on August 8, 2022, being the fourth anniversary of the first drawdown date, from 75% of Minera Exar's Free Cash Flow (as defined in the credit facility agreement).

I'd also be cautious in drawing too close parallels between 51/49 Ganfeng/LAC for Minera Exar and 51/49 Tianqi/ALB at Talison for the following reasons:

- #1 Lithium Producer, SP 500 ALB & #2 Lithium Producer, state-backed Tianqi are far more equal than Major/Junior Ganfeng/LAC
- Pre-production greenfield vs producing/brownfield expanding
- ALB has life of mine 50% off-take from Talison. LAC gets <10% off-take for next 20 years
- Australia vs. Argentina
- BIG difference between Talison precursor SC6 vs. end market chemicals
- Talison sells 'at cost' relatively homogeneous, predictable SC6 product from rock enabling ALB/Tianqi to maximize profit from their own integrated chemical plants. Cauchari will sell less predictable and more variable quality carbonate at a to-be-determined 'market price'



## Other Young Americans: Lithium Animal Spirits on the TSX-V

I conclude today flagging promising recent updates from three Western Canada-headquartered lithium innovators that I believe Jane and George Battery Pack investors should consider in the same breath:

- **NNO (\$75m cap) upsizes placement from CAD5M to 11M**
- **SLL (\$61M cap) upsizes placement from CAD6M to 9M, Lanxess promotes in Q3 PPT**
- **ETMC (\$7M cap) gets a nod from Alberta's new Premier Jason Kenney**

### NEWS RELEASES

Nano One Announces \$1,000,000 Over-Allotment to Private Placement Bringing Total Offering up to \$11,000,000

February 10, 2020

Vancouver, Canada (TSX-V: NNO) (OTC-Nasdaq Intl Designation: NNOMF) (Frankfurt: LBMB). Nano One Materials Corp., today announced that, pursuant to a 10% over-allotment, the size of its non-brokered private placement that was previously announced on January 30, 2020 and February 5, 2020, is increased by \$1,000,000, to a total of up to \$11,000,000. The financing will now consist of a total of up to 9,565,217 units (the "Units") at a price of \$1.15 per Unit for total gross proceeds of up to \$11,000,000.



#### STANDARD LITHIUM INCREASES PRIVATE PLACEMENT TO \$9 MILLION TO ACCOMMODATE STRONG DEMAND

February 4<sup>th</sup>, 2020 – Vancouver, BC – Standard Lithium Ltd. ("Standard Lithium" or the "Company") (TSXV: SLL) (OTCQX: STLHF) (FRA: SSL) is pleased to announce that, owing to very strong interest, it will increase the size of its non-brokered private placement of special warrants (each, a "Special Warrant") to accommodate the additional demand. The Company now intends to offer up to 12,000,000 Special Warrants, at a price of \$0.75 per Special Warrant, for gross proceeds of up to \$9,000,000.

#### Venture investment into Lithium with low risk and potentially high return



Opportunity in cooperation with Standard Lithium



~€100 –  
400 m  
Investments



Early 2021  
Planned start of  
construction

#### Investment rationale:

- Potential lucrative yield of battery grade lithium from LANXESS' "waste material" tail brine
- Strong growth of Lithium use based on rising demand for batteries



Jason Kenney  
@jkenney

Interesting read on the potential for Lithium mining in Alberta's oilfields.

Another example of our energy industry at the forefront of economic diversification.



'A huge opportunity': Alberta oilfields could give rise to lithium industry fuelled...  
Calgary-based E3 Metals wouldn't exist if it weren't for the work of Elon Musk. The natural resources company, which was founded in 2016, has ...  
calgaryherald.com

1:37 PM · Jan 9, 2020 · Twitter for iPhone

44 Retweets 132 Likes





Research, Capital Raising, Advisory, Merchant Banking

10 Years Experience with Lithium Battery Materials Developers





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