

Industrial Technology Weekly Highlights In The Battery Value Chain

Unless otherwise denoted, all figures shown in US\$

Highlights:

Cormark's Quant/Technical analyst highlighted earlier this week that lithium stocks have started to "[hook back up](#)," noting that the Global X Lithium & Battery ETF has given a weekly momentum buy signal after a 25.3% drop off the January high. The ETF is oddly skewed to FMC, but the shift in sentiment is quite broad. The negative news so far in 2018 appears to be losing its impact on investors and along with signs of more stable spot prices, we expect a strong performance from the stocks this fall. As we note in today's Weekly, demand signs are still relatively good with OEMs making their EV plans more explicit. Interestingly, though the majors have rallied in September they are still at 10-year average multiples, the EV/ESS theme remains stronger than it has for most of that 10-year period, suggesting more upside ahead.

This Week's Top Headlines:

- Ganfeng Signs Supply Agreements With LG Chem And Tesla
- Advantage Lithium Files PEA On SEDAR
- Saudi Fund To Invest \$1 BB In EV Startup
- Portugal To Commence Tender Of Lithium Licenses
- Volkswagen To Build EV Factory In North America
- Porsche To Remove Diesel Engine Option On Vehicles

Recent Cormark Battery-Related Research:

Date	Company	Headline
6-Sept	◆Sigma Lithium Resources Corp.	Emerging High Grade, Large Crystal Lithium Concentrate Producer
14-Aug	◆Lithium Americas	Strategic Investment With Ganfeng Lithium
24-Jul	◆Nemaska Lithium	Project Construction And Timeline Update
20-Jul	◆Neo Lithium	Significant Resource Increase For 3Q
6-Jul	◆Cobalt 27	Acquires Cobalt Stream On Voisey's Bay
22-Jun	◆Lithium Americas	Thacker Pass PFS Begins Unlocking Value
19-Jun	◆Neo Lithium	Drill Results Point To Larger Resource
30-May		Olaroz-Cauchari Basin: Portfolio Approach
24-May	◆Cobalt 27	Announces First Streaming Deal
18-May		Implications Of Tianqi's Stake In SQM
23-Apr		Highlights From Battery Materials 2018

Weekly Highlights in the Battery Value Chain is published each week to provide a snapshot of stock activity, commodity markets, industry news and government policy related to the adoption of lithium ion batteries as well as the supply and manufacture of related materials and components.

◆ During the past twenty-four months, Cormark Securities Inc., either on its own or as a syndicate member, participated in the underwriting of securities and/or provided financial advice regarding the stock market insight and financial analysis regarding potential transactions for these companies.

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Coverage News

Advantage Lithium Corp.
AAL-TSXV (Buy, C\$1.85)
Event: PEA Released
Impact: Positive

Files PEA On SEDAR – September 25: Following summary results announced on August 14, Advantage has filed their PEA on SEDAR which supports their development plans at the 20 ktpa capacity lithium carbonate plant at its Cauchari JV project in Argentina. Key highlights include: operating costs of US\$3,667/t of lithium carbonate, US\$830 MM after-tax NPV at 8% discount rate and IRR of 24%, and a mine life of 25 years including a 3-year ramp up for 20 ktpa production. The US\$830 MM NPV is an updated number that was revised higher since the initial announcement in August to reflect the improving tax regime in Argentina.

News From Other Producers/Developers

Ganfeng Lithium, 002460-
Shenzen
(Not Rated)
Event: Supply Agreement
Impact: Positive

Ganfeng To Almost Double Supply To LG Chem – September 20: Under a new contract, Ganfeng will extend their offtake agreement by three years with LG Chem to 2025. Ganfeng will supply an additional 45,000 tonnes of battery-grade lithium carbonate and hydroxide from 2019 to 2025. Recall that the initial deal on August 14 was for 47,600 tonnes of lithium hydroxide from 2019 to 2022. Both contracts have fixed volume specifications, but the pricing will be adjusted according to market conditions.

Ganfeng Signs Deal With Tesla – September 21: Last Friday, Ganfeng signed a three-year supply contract with Tesla just a day after announcing a new contract with LG Chem. Ganfeng will supply 20% of their lithium hydroxide production to Tesla over a three-year period which runs from January 2018 to December 2020 with an option to extend the contract for three years.

Since September 17, Ganfeng's stock has risen ~18% which has sparked a rally in other lithium stocks as these deals provide a strong indication for lithium demand as EV battery manufacturing continues to ramp up. Lithium Americas, which is now a strategic partner with Ganfeng has also seen their stock rise significantly as they are up ~20% since last week.

Montero Mining & Exploration,
MON-TSXV (Not Rated)
Event: Lithium MOU
Impact: Positive

Montero Signs Lithium MOU – September 25: Montero has signed a non-binding Memorandum of Understanding (MOU) with Jiang Xi Yun Lithium Materials of China for the joint cooperation and development of lithium production in Africa. Jiang Xi Yun processes and manufactures lithium carbonate and lithium iron phosphate products for the Chinese battery market and aims to be a major supplier of lithium. The MOU may involve a long-term offtake agreement with production coming from Namibia and the opportunity for Montero to invest in Jiang Xi Yun's facilities in China. Montero currently has three exploration and development projects in Namibia and is currently targeting NI 43-101 compliant resources and the exploration of additional lithium targets.

Industry News

Lucid Motors, Private
(Not Rated)
Event: EV Investments
Impact: Positive

Saudi Fund Backs EV Startup Weeks After Talks With Tesla – September 17: Just weeks after Tesla dropped its consideration of taking the company public with the help of the Saudi Arabia sovereign fund, Lucid Motors, an EV startup announced an investment. The sovereign wealth fund will put \$1 BB into Lucid to fund the development of their EV production facility for the 2020 commercial launch of its first EV. The investment comes two years after the unveiling of a prototype in 2016 and a number of failed attempts at securing financing. Lucid's factory is to be built in Arizona.

Volkswagen AG,
VOWG-Xetra (Not Rated)
Event 1: EV Introductions
Impact: Positive
Event 2: EV Push
Impact: Positive

To Build EV Factory In North America – September 20: VW announced last week as part of its EV roll out a new factory located in North America by 2022. No planning has yet begun, so a city was not disclosed. Interestingly, VW plans to have 16 EV production plants by 2022, requiring \$40 BB in investment. Most of these plants are expected to be in China. The Zwickau plant in Germany is being retooled to produce only EVs with the goal of 330,000 EVs per year production capacity by 2020.

Porsche To Cease Production Of Diesels – September 20: As VW continues to rehabilitate its reputation post the diesel emissions scandals in Germany, Porsche announced that it will not offer diesel engines as an option on its vehicles. Porsche has planned a 6 BB euro investment in electrified technology by 2022. Porsche's first all-electric vehicle, the Taycan, will be available in 2019 and is expected to be a major part of taking EVs to 50% of the brand's sales annually.

Event: EV Competition
Impact: Positive

German Auto OEMs Up The Competition With Tesla – September 23: Following up on the plans announced in the summer of 2017, the German automakers last week began to announce more specific details on their EV offerings. The focus is clearly beginning at the high end of the market, as expected, as the OEMs aim clearly at Tesla. Audi introduced its E-Tron, while BMW promotes its iNext and Mercedes has introduced the EQC. These carmakers are aiming to invest €40 BB in battery-powered vehicles over the next three years.

Note that with a market share of around 8% in Germany, but with 80% of the global premium car market, the move into EVs is a major development for EV demand outside of China. Audi has indicated that it expects EVs will account for a third of its sales by 2025.

Event: Lithium Licenses
Impact: Positive

Portugal To Initiate Lithium Exploration Licenses Tender – September 25: By the end of the year, Portugal plans to launch a tender of lithium exploration licenses as they pursue a plan to become Europe's top supplier of lithium for EV batteries. Portugal is Europe's largest lithium producer (6th overall in the world), but their current miners sell mainly to the ceramics industry and have only now begun to transition to the lithium demand for EVs. Last year, a government study identified 2,500 square km of area that is likely to contain lithium-bearing minerals with 11 areas in central and northern Portugal. The potential investment in five of the most attractive areas is estimated to be \$3.9 BB and so far, the government has received more than 40 prospecting applications with interest coming from Australia, Canada, and the US.

The majority of battery supply currently comes from Asia using concentrates sold by miners in countries such as Chile and Australia. Currently, Europe does not have any facilities for the purpose of refining lithium to a battery-grade level and there is no large-scale battery production in operation for EVs with some companies only having recently committed to such plans (Sweden's Northvolt and Germany's TerraE).

Commodity Prices

Lithium

Lithium carbonate spot prices dipped slightly coming in at a range of 78,000 – 83,000 RMB (US\$11,365 – US\$12,093) per tonne versus 79,000 – 85,000 RMB (US\$11,518 – US\$12,392) per tonne last week. Spot prices for lithium hydroxide in China has again remained flat coming in at 122,000 – 127,000 RMB (US\$17,776 – US\$18,504) per tonne with the difference in US dollar pricing coming from FX changes. According to Metal Bulletin, thin buying activity and sluggish demand for lithium carbonate and lithium hydroxide in China's spot market continue to keep prices low. Referring to a quote from a consumer in the market, many downstream buyers are "unwilling to stock more material for fear of further price decreases but we plan to purchase again after the Mid-Autumn holiday or the National Day holiday".

Refer to [Figure 9](#) to see our lithium spot and contract price charts.

Cobalt

Note that our cobalt price charts only show data from the LME, as Metal Bulletin instituted an extremely high subscription price for its quotes. LME cobalt prices continue to hover near \$28/lb which is largely unchanged since last week. Prices seem to have stabilized at these levels since falling to \$25/lb at the beginning of August. Refer to [Figure 11](#) for our updated cobalt price charts.

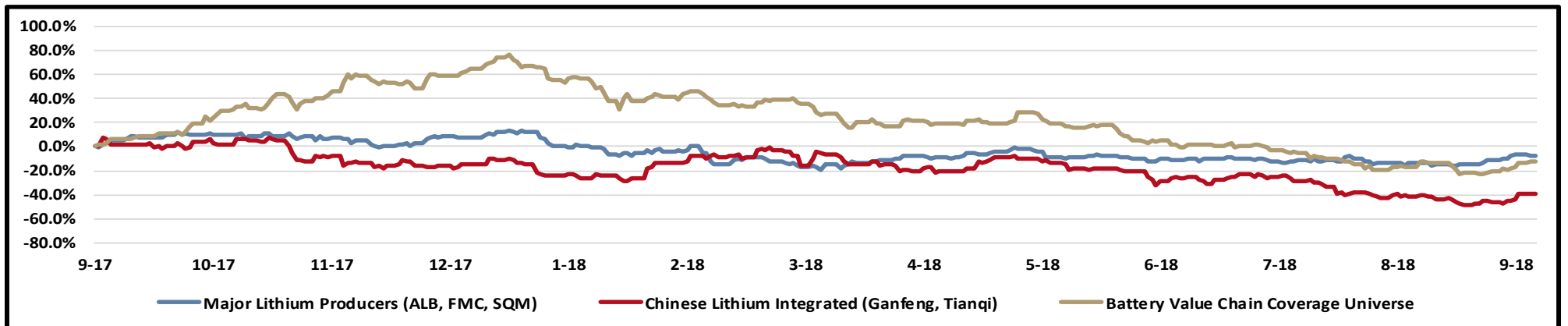
Figure 1: Stocks Under Coverage

Company	Rec.	Capitalization				Current Valuation												
		Share Price (\$)	Target Price (\$)	12-Mth Return	Mkt Cap (\$ MM)	52-Week		Mining Assets (\$ MM)			Financ'l Assets (\$ MM)			NAV (\$MM)	Val. Shrs (MM)	NAVPS (\$)	P/NAV	
						High (\$)	Low (\$)	Phase 1	Phase 2	Other(s)	Cash	Opt. & Wrts	Debt					
Lithium																		
Advantage Lithium Corp	Buy	C\$0.68	C\$1.85	172%	C\$107	C\$1.42	C\$0.40	387.7				30.7	26.4	-	C\$445	188	C\$1.85	37%
♦ Lithium Americas Corp	Buy	C\$6.16	C\$13.75	123%	C\$546	C\$14.06	C\$4.58	575.7	345.7	408.9	73.5	20.1	-	C\$1,881	92	C\$20.45	30%	
♦ LSC Lithium Corp	Buy(S)	C\$0.40	C\$1.95	388%	C\$57	C\$1.72	C\$0.39	409.3	-	197.6	27.0	20.4	-	C\$839	354	C\$2.37	17%	
♦ Neo Lithium Corp	Buy	C\$1.12	C\$3.35	199%	C\$132	C\$2.75	C\$0.85	968.2			47.7	20.3	0.8	C\$1,370	328	C\$4.18	27%	
♦ Nemaska Lithium Inc	Buy	C\$0.82	C\$2.00	144%	C\$694	C\$2.44	C\$0.60	C\$1,847			C\$480.2	C\$1.8	C\$(449)	C\$1,880	855	C\$2.00	41%	
Orocobre Ltd	Buy	C\$4.04	C\$6.25	55%	C\$1,053	C\$7.42	C\$3.58	449.1	331.2	139.3	336.9		(100.0)	C\$1,157	262	C\$5.67	71%	
♦ Sigma Lithium Resource	Buy	C\$2.29	C\$4.00	75%	C\$153	C\$2.40	C\$0.95	321.2		72.0	53.1	0.1	(30.8)	C\$416	83	C\$5.00	46%	
Cobalt																		
♦ Fortune Minerals Ltd	Buy(S)	C\$0.11	C\$0.40	281%	C\$36	C\$0.38	C\$0.10	559.4			7.5	8.3	(6.6)	C\$569	1,052	C\$0.54	19%	
♦ Cobalt 27 Capital Corp	Buy	C\$6.39	C\$16.75	162%	C\$542	C\$14.00	C\$5.73			C\$1,544	C\$0.0		C\$(90)	C\$1,451	84	C\$17.30	37%	
Graphite																		
♦ Mason Graphite Inc	Buy	C\$1.10	C\$2.75	150%	C\$150	C\$3.15	C\$0.91	285.8			92.7	5.7	(8.4)	C\$376	176	C\$1.92	57%	

Note: EV does not include cash from options and warrants. Cash may include amounts from projected equity raises on company specific basis

Source: Company reports, Thomson Eikon, Cormark Securities

Figure 2: Aggregate Stock Performance

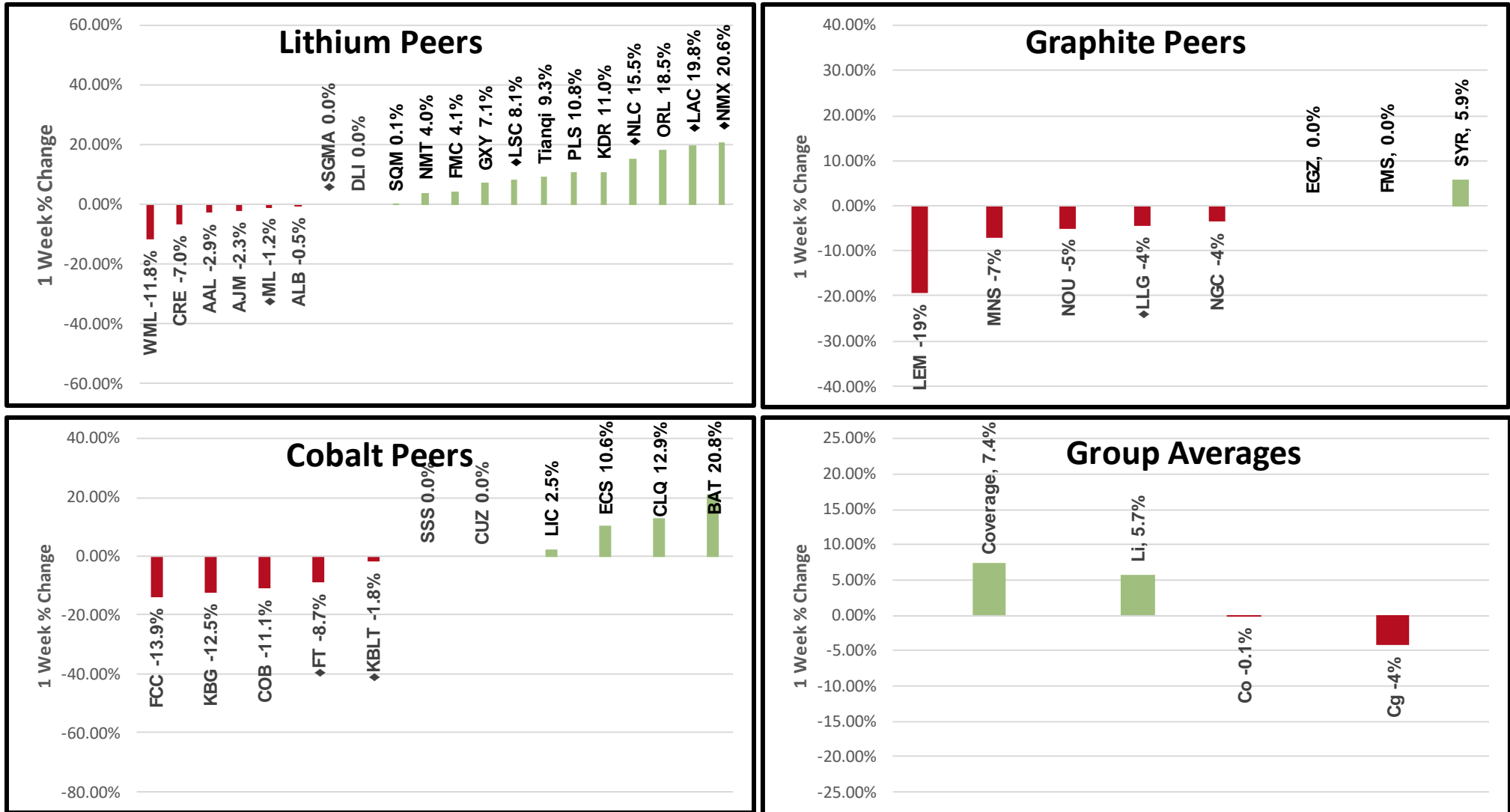


Source: Company reports, Thomson Eikon, Cormark Securities

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Figure 3: 1-Week Performance

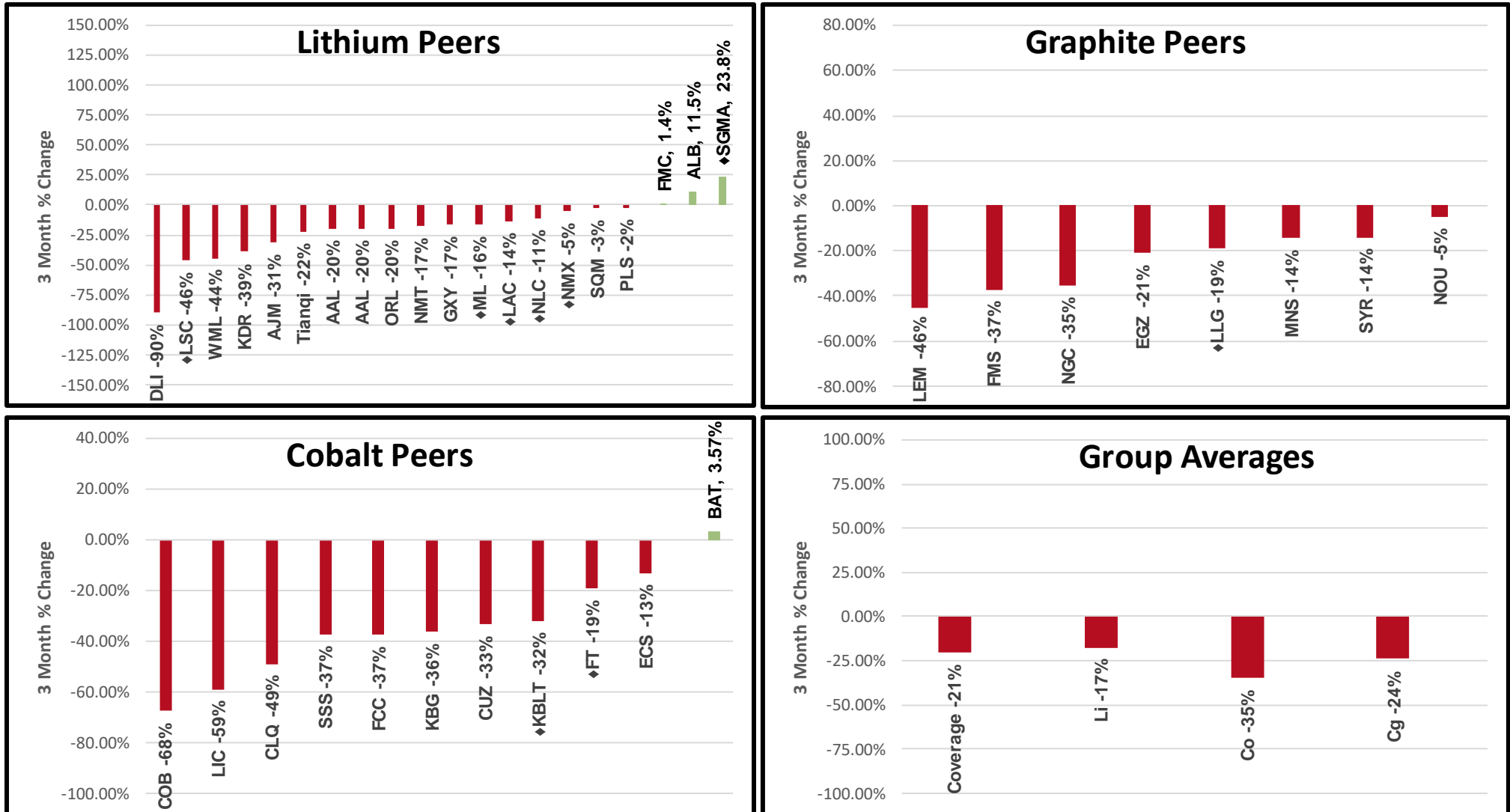


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Figure 4: 3-Month Performance

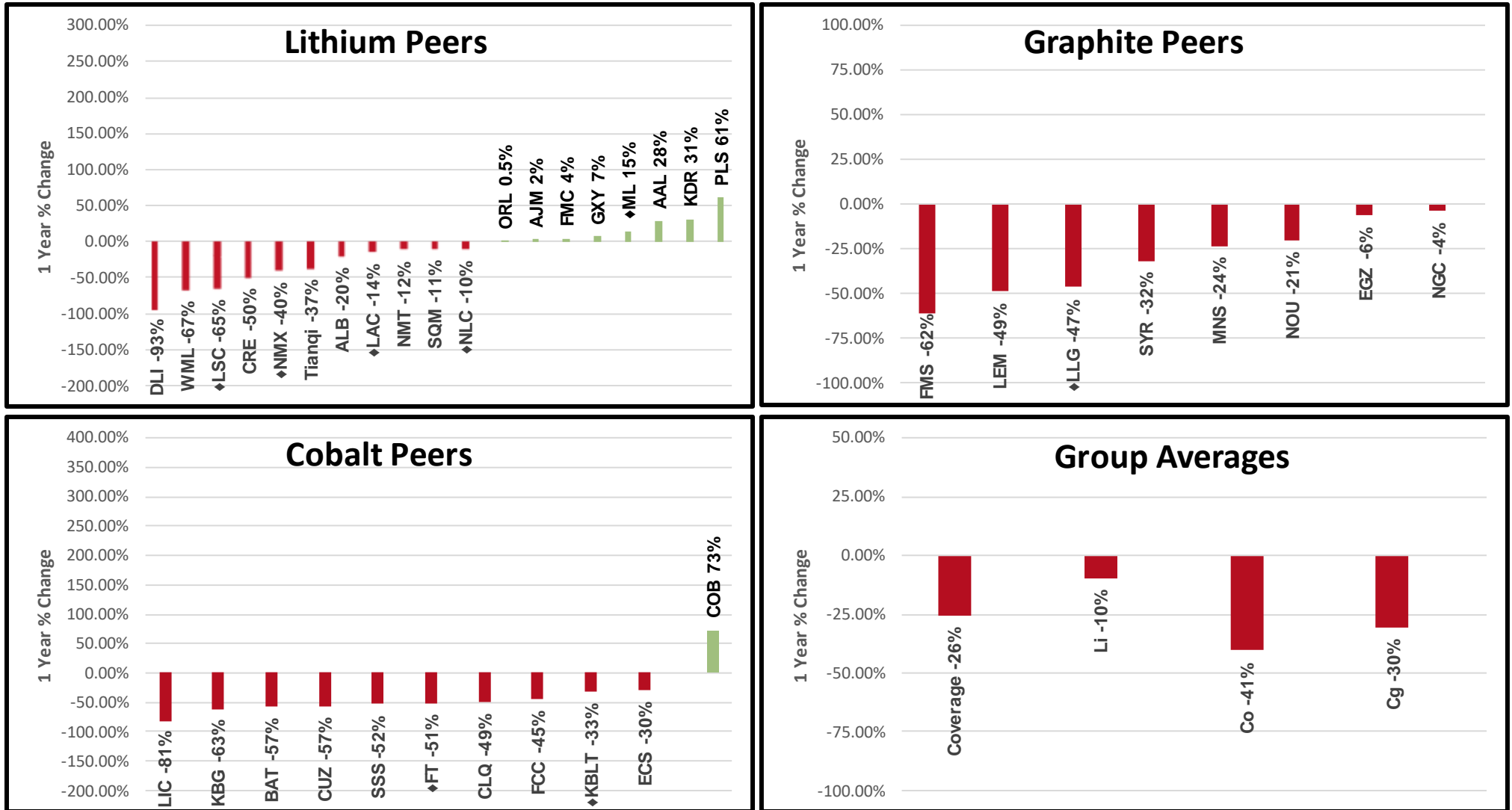


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Figure 5: 1-Year Performance



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Figure 6: Lithium Comparables

Company	Ticker	Share Price (\$)	Market Cap (US\$MM)	EV (US\$MM)	Stage	Lithium Project(s)	Location	Trading Metrics	
								EV / EBITDA	
								2018	2019
Producers									
Tianqi Lithium Corp	SZ:002466	¥38.74	¥44,243	¥44,183	Producer	Talison (51%)	Australia	9.7x	7.5x
Soc. Qui. y Min. de Chile	NYSE:SQM	\$46.76	\$12,307	\$12,997	Producer	Atacama / Cauchari (50%)	Chile / Argentina	13.4x	11.1x
Albemarle Corp	NYSE:ALB	\$102.52	\$11,118	\$11,968	Producer	Atacama / Talison (49%)	Chile / Australia / US	12.0x	10.9x
FMC Corp	NYSE:FMC	\$89.62	\$12,066	\$15,013	Producer	Hombre Muerto	Argentina	11.3x	10.5x
Galaxy Resources Ltd	ASX:GXY	A\$2.58	A\$1,051	A\$1,005	Producer	Mt Cattlin / Sal de Vida	Australia / Argentina	8.5x	7.7x
Orocobre Ltd	ASX:ORE	A\$4.24	A\$1,105	A\$1,098	Producer	Olaroz (66.5%)	Argentina	16.6x	13.8x
Average (Excluding Orocobre)							excl. Orocobre	11.0x	9.6x
								Attributable LCE (000t)	EV /t LCE
Hard Rock Developers / Explorers									
Pilbara Minerals Ltd	ASX:PLS	A\$0.88	\$1,107	\$1,115	FS	Pilgangoora	Australia	3,887	\$287
Galaxy Resources Ltd	ASX:GXY	A\$2.58	\$762	\$715	Construction	Mt Cattlin / Sal de Vida	Australia / Argentina	9,669	\$74
Altura Mining Ltd	ASX:AJM	A\$0.21	\$277	\$364	FS	Pilgangoora	Australia	989	\$368
Kidman Resources Ltd	ASX:KDR	A\$1.17	\$296	\$300	Exploration	Earl Grey	Australia	7,009	\$43
♦ Nemaska Lithium Inc	TSX:NMX	C\$0.82	\$535	\$642	FS	Whabouchi	Canada	3,367	\$191
Desert Lion Energy Inc	TSXV:DLI	C\$0.09	\$4	\$4	Producer	Namibia	Africa	371	\$11
♦ Sigma Lithium Resources Corp	TSXV:SGMA	C\$2.29	\$118	\$153	FS	Xuxa	Brazil	521	\$294
Neometals Ltd	ASX:NMT	A\$0.26	\$102	\$70	Construction	Mt Marion (13.8%)	Australia	281	\$250
Critical Elements Corp	TSXV:CRE	C\$0.80	\$98	\$99	PEA	Rose	Canada	447	\$222
Average									\$193
								Attrib. LCE Res. (000t)	EV /t LCE
Brine Developers / Explorers									
Orocobre Ltd	ASX:ORE	A\$4.24	\$801	\$794	Producer	Olaroz (66.5%)	Argentina	4,879	\$163
♦ Lithium Americas Corp	TSX:LAC	C\$6.16	\$430	\$376	FS	Cauchari (50%) / LNC	Argentina / US	5,876	\$64 +
♦ Millennial Lithium Corp	TSXV:ML	C\$1.71	\$109	\$80	Exploration	Multiple Assets	Argentina	3,009	\$27
Wealth Minerals Ltd	TSXV:WML	C\$0.60	\$55	\$54	Exploration	Multiple Assets	Chile	-	-
♦ LSC Lithium Corp	TSXV:LSC	C\$0.40	\$47	\$38	FS/PFS	Multiple Assets	Argentina	1,609	\$24
♦ Neo Lithium Corp	TSXV:NLC	C\$1.12	\$77	\$76	Exploration	Tres Quebradas	Argentina	2,014	\$38
Advantage Lithium Corp	TSXV:AAL	C\$0.68	\$83	\$70	Exploration	Cauchari	Argentina	2,268	\$31 *
Average									\$59

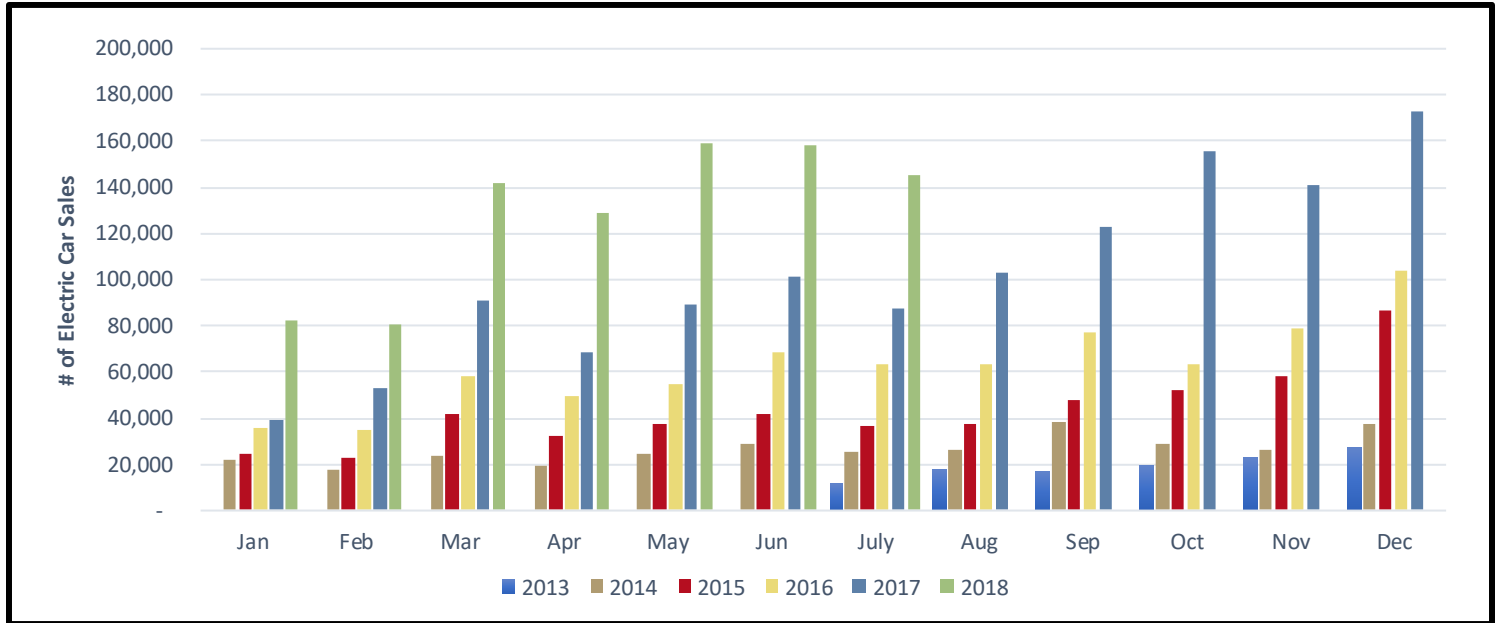
+ Cauchari-Olaroz only; * only inferred resource

Source: Company reports, Thomson Eikon, Cormark Securities

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Figure 7: Global Monthly Plug-In Electric Car Sales



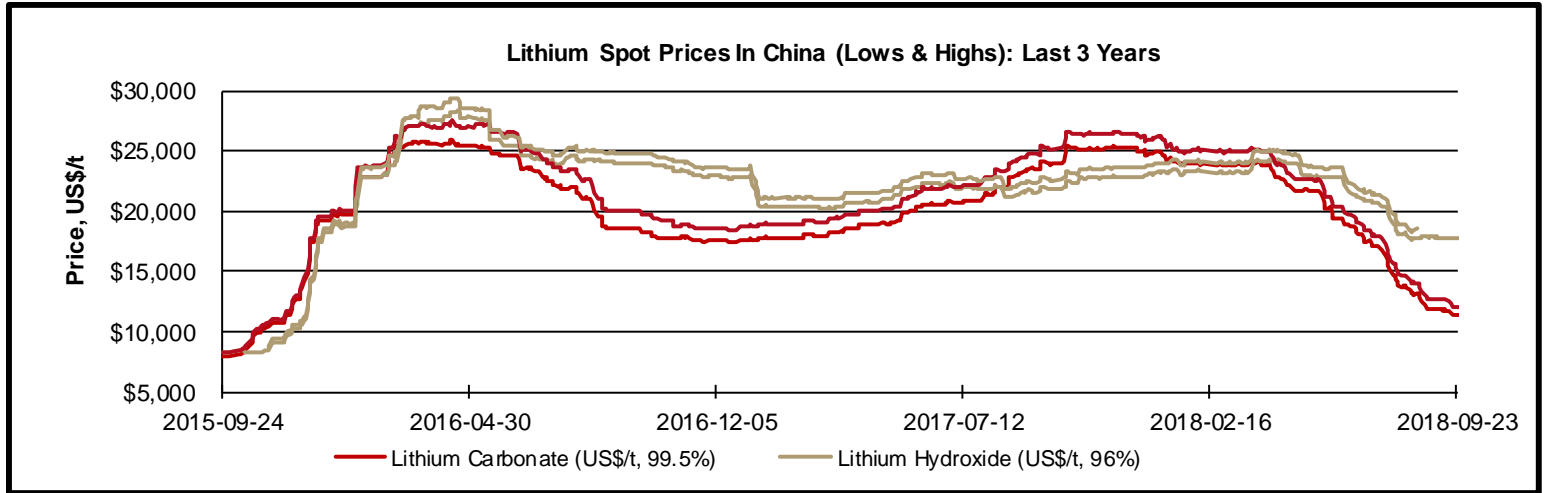
Source: GreenCarReports.com

Figure 8: YoY Global Electric Car Sales Growth

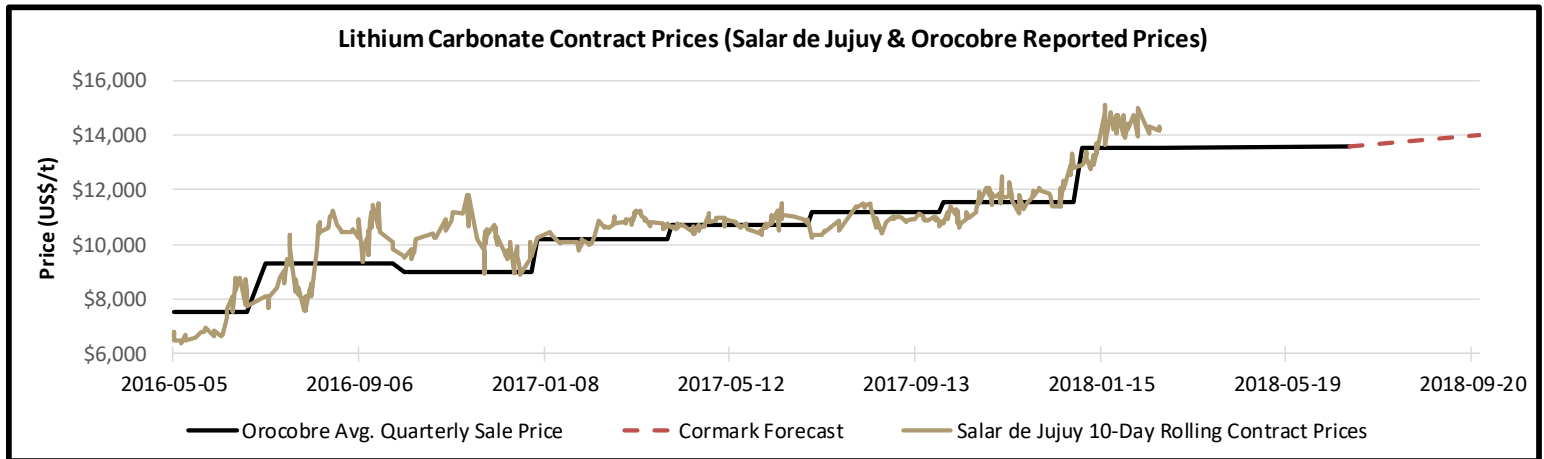


Source: Cormark Securities Inc.

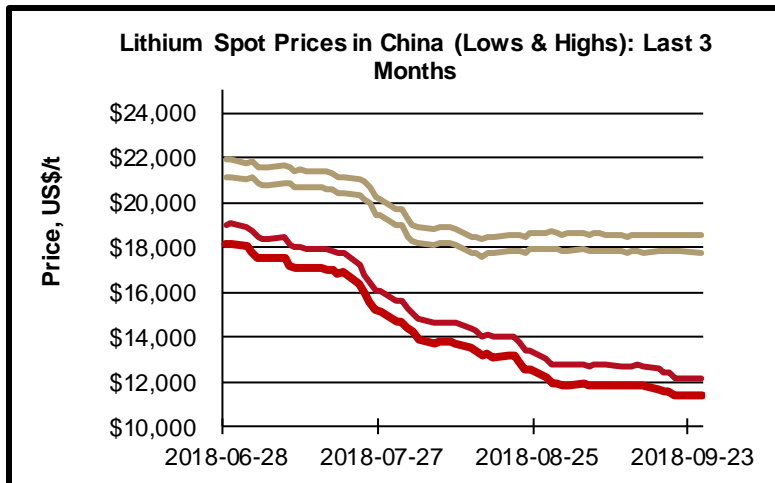
Figure 9: Lithium Prices



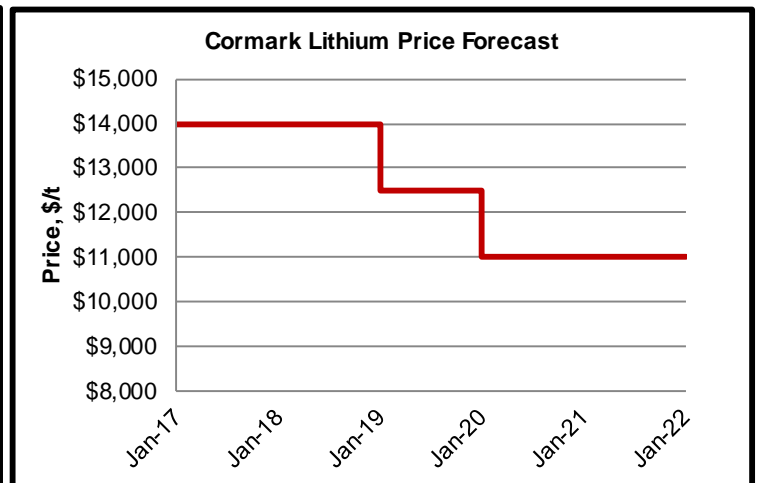
Source: Asian Metals



Source: Administration Federal de Ingresos Publicos, Argentina (Reporting Stopped Feb. 23, 2018), Orocobre, Cormark Securities Inc.



Source: Asian Metals



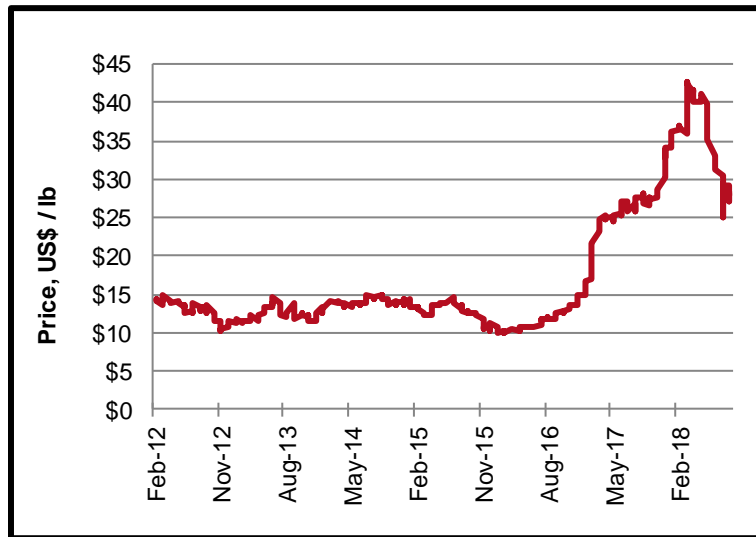
Source: Cormark Securities Inc.

Figure 10: Cobalt Comparables

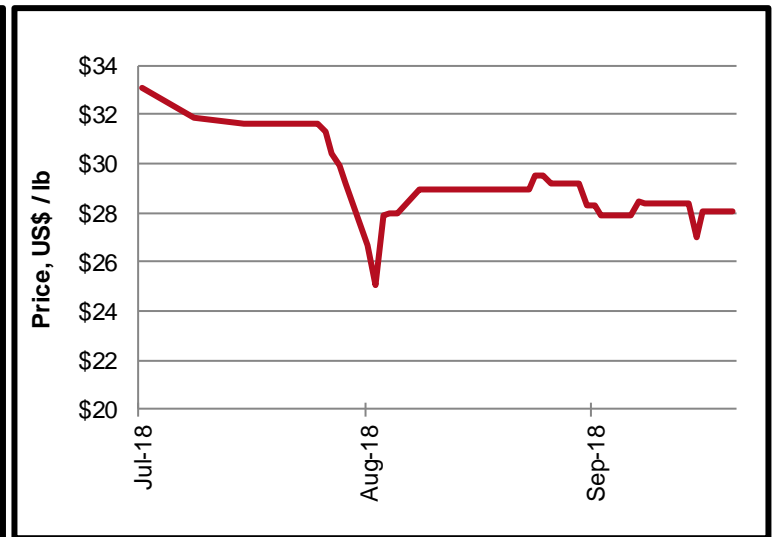
Company	Ticker	Share Price (\$)	Mkt Cap (\$MM)	EV (\$ MM)	Project(s)	Location	Minerals	Grade, %	Stage	Attr. Co MM lb	EV / lb Co C\$/lb
Clean TeQ	CLQ.AX	A\$0.48	A\$277	C\$172.7	Syerston	Australia	Ni, Co, Sc	0.10%	Pre-feas	286.0	0.6
♦ Cobalt 27	KBLT.V	C\$6.39	C\$542	C\$288.5							
First Cobalt	FCC.V	C\$0.31	C\$105	C\$77.9	Keeley-Frontier	Ontario	Co, Ag		Explor.		
Ecobalt	ECS.TO	C\$0.94	C\$150	C\$113.8	Idaho Cobalt	Idaho	Cu, Co, Au	0.59%	FS	62.4	1.8
♦ Fortune Mnrl.	FT.TO	C\$0.11	C\$39	C\$37.8	NICO	NWT, SK	C\$0.0	.09-0.27%	DFS	82.3	0.5
Cobalt Blue	COB.AX	A\$0.32	A\$28	C\$17.2	Thackaringa	Australia	Cobalt-pyrite	0.08%	Drilling	135.3	0.1
Cruz Cobalt	CUZ.V	C\$0.10	C\$7	C\$3.7	Bucke, Coleman, Johnson, War Eagle, Idaho Star	Ontario, Idaho	C\$0.0		Explor.		
LiCo Energy	LIC.V	C\$0.21	C\$4	C\$2.2	Teledyne Cobalt	Ontario	Co, Ni, Ag	0.45%	Drilling		
King's Bay	KBG.V	C\$0.04	C\$2	C\$1.6	Lynx Lake, Quebec Cobalt	NFLD & Que.	Co, Cu, Ni, Ag		Explor.		

Source: Company reports, Thomson Eikon, Cormark Securities

Figure 11: Cobalt Prices



Source: London Metals Exchange



Source: London Metals Exchange

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Graphite Comparables

Figure 12: Resource Metrics

Company	Share Price (\$)	Mkt Cap (\$ MM)	EV (\$ MM)	Project(s)	Location	Grade			Attr. Cg '000 t	*EV / t Cg C\$/t	Notes
						Meas.	Ind.	Inf.			
Syrah Resources Ltd	A\$2.35	A\$641	A\$431	Balama	Mozambique	11.0%	11.0%	11.0%	128,500	15.11	3% Cg cutoff
Magnis Resources Ltd	A\$0.33	A\$196	A\$191	Nachu	Tanzania	4.7%	5.7%	5.8%	9,344	20.41	3% Cg cutoff
◆ Mason Graphite Inc	C\$1.10	C\$136	C\$97	Lac Gueret	Quebec	17.0%	16.0%	0.0%	9,477	10.24	27.8%, 6% cutoff
Leading Edge Materials Corp	C\$0.31	C\$27.9	C\$24.8	Woxna	Sweden	10.7%	9.3%	8.5%	9,600	3.23	
NextSource Materials Inc	C\$0.08	C\$42.2	C\$41.3	Molo	Madagascar	6.3%	6.3%	5.8%	8,654	6.56	2% Cg cutoff
Nouveau Monde Graphite Inc	C\$0.29	C\$33.6	C\$27.7	Matawinie	Quebec		4.0%	4.1%	3,345	14.37	2.5% Cg cutoff
Northern Graphite Corp	C\$0.27	C\$18.6	C\$14.8	Bissett Creek	Ontario		1.8%	1.6%	1,334	31.36	1% Cg cutoff
Focus Graphite Inc	C\$0.03	C\$5.4	C\$4.5	Lac Knife	Quebec	21.5%	14.4%	16.2%	2,143	2.52	3% Cg cutoff

* Excludes Inferred Resources

Source: Company reports, Thomson Eikon, Cormark Securities

Figure 13: Feasibility Study Metrics

Company	Share Price (\$)	Mkt Cap (\$ MM)	EV (\$ MM)	Project(s)	Product Distribution			Capacity (tpa)	Capex (US\$ MM)	Price/t (US\$)	Opex / t (US\$)	IRR	Stage
					Large	Med.	Small						
Syrah Resources Ltd	A\$2.35	A\$641	A\$431	Balama	32.0%	22.5%	45.5%	313,000	193	1,000	286	71%	DFS
Magnis Resources Ltd	A\$0.33	A\$196	A\$191	Nachu	41.0%		59.0%	240,000	269	2,350	559	98%	DFS
◆ Mason Graphite Inc	C\$1.10	A\$136	A\$97	Lac Gueret	27.0%	15.0%	58.0%	51,900	200	1,465	282	34%	DFS
Leading Edge Materials Corp	C\$0.31	C\$27.9	C\$24.8	Woxna				10,000		-			Care/Maint
NextSource Materials Inc	C\$0.08	C\$42.2	C\$41.3	Molo	46.0%	32.5%	21.0%	17,000	15	1,014	433	25%	DFS
Nouveau Monde Graphite Inc	C\$0.29	C\$33.6	C\$27.7	Matawinie	46.0%	11.0%	43.0%	50,000	109	1,492	495	25%	PEA
Northern Graphite Corp	C\$0.27	C\$18.6	C\$14.8	Bissett Creek	76.5%	4.8%	18.6%	20,800	83	1,500	600	20%	DFS
Focus Graphite Inc	C\$0.03	C\$5.4	C\$4.5	Lac Knife	33.5%	29.8%	16.6%	44,300	125	1,713	331	24%	DFS

* Excludes Inferred Resources

Source: Company reports, Thomson Eikon, Cormark Securities

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Market Perform	expected to perform with its peer group
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