Neo Lithium closes CATL strategic investment and looks to be the leading lithium junior miner

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It's not every day that the world's largest battery manufacturer chooses to invest in your company. There are literally almost one hundred junior lithium miners (not yet in production) to choose from. Yet the world's largest battery manufacturer, Contemporary Amperex Technology Co. Limited (CATL), has chosen to partner with Neo Lithium Corp. (TSXV: NLC | OTCQX: NTTHF), with an initial 8% equity investment deal closing yesterday. Why did they choose Neo Lithium?

Why Neo Lithium?

Neo Lithium has the best undeveloped global lithium brine project in the world. Here are 7 reasons why they are the best:

1. Neo Lithium 100% own, and has fully paid, their 3Q lithium project in Argentina. Neo Lithium own the entire salar, which covers 160Km^2 (6th largest salar in the world). This means they won't ever have an issue of competing for lithium from their salar, unlike several other lithium brine miners who share their salar.
2. The 3Q Project has the 4th highest lithium grade globally, or the 3rd highest if counting only their high grade core. The average grade to be mined for the first 10 years is forecast to be 1,000 mg/L lithium.
3. The 3Q Project has the lowest level of impurities

globally. This should result in the 3Q Project having industry lowest quartile operating expenses (OpEx forecast of US$2,914/t LCE) and also low capital intensity; that is the CapEx required to produce a certain amount of lithium carbonate equivalent (LCE).

4. The 3Q Project has a significant lithium P&P reserve (1.3Mt LCE) and a very large lithium M&I Resource (4.0Mt LCE). Mine life is forecast at 35 years taking into account only 1/3 of the known resource.
5. The 3Q Project has an outstanding PFS, including a post-tax NPV8% of US$1.144 million, post-tax IRR of 49.9%, and CapEx of US$319 million, based on 20,000t pa LCE production, and assuming a life of mine lithium carbonate average price of US$11,882/t. Payback is just 1 year and 8 months.
6. The 3Q Project is already at a fairly advanced stage. The 3Q project site is now advanced with construction including pilot ponds, improved access, and infrastructure. The Environmental Permit is granted for Exploration, Mining and Development. All permits are granted for the chemical plant. Final Environmental permit for construction has been presented to the government and is in the process of approval. An agreement is in place with local municipality to build the lithium processing plant in Fiambalaon on government land near town.
7. Neo Lithium is well cashed up with C$37 million in cash.

Neo Lithium is a standout on all metrics

Source: Neo Lithium company presentation

Looking ahead Neo Lithium is targeting to complete a final Feasibility Study in Q2 2021, obtain the EIA for final

construction permit, then to ideally complete financing discussions with CATL to fund the project and assign off-take. All going well a final investment decision would then be made, project construction would occur over about 1 year, and then begin lithium production in 2022. Investors should note that miners don't always hit these targets, and should view them as aspirational.

About Contemporary Amperex Technology Co. Limited (CATL)

CATL is China's and the world's largest battery manufacturer, based on 2019 figures. They are also one of Tesla's preferred battery suppliers for China. CATL also supplies PSA, Hyundai, Honda, BMW, Daimler AG, Toyota, Volkswagen, and Volvo. In China, CATL's clients include BAIC Motor, Geely Automobile, GAC Group, Yutong Bus, Zhongtong Bus, Xiamen King Long, SAIC Motor and Foton Motor.

According to Fitch Ratings: "CATL had a global share of 28% of lithium-ion battery installation volume in 2019. CATL's strong market position is driven by the large Chinese electric vehicle (EV) market, which accounts for about 50% of global EV shipment, and CATL's dominant position (54% market share) in this segment."

CATL is currently in talks with Indonesia to build a US$5 billion lithium-ion battery factory in Indonesia, with plans to commence production by 2024.

CATL was the world's largest lithium-ion battery supplier in 2019

Source: Bloomberg Green

Closing remarks

Neo Lithium is looking like the most exciting lithium junior (non-producer) in the market right now. They have outstanding project metrics, a very strong PFS with a post-tax IRR of 49.9% with low CapEx/low OpEx and a 35 year mine life, an advanced stage project, and the world’s largest battery manufacturer as their equity partner. What more could you want?

Neo Lithium trades on a market cap of just C$175 million.

Disclosure: The author is long Neo Lithium Corp. (TSXV:NLC).