

Neo Lithium Announces Updates on Arrangement with Zijin and Provides Supplemental Disclosure

written by Raj Shah | December 7, 2021

December 6, 2021 ([Source](#)) – Neo Lithium Corp. (“**Neo Lithium**” or the “**Company**”) (TSXV: [NLC](#)) (OTCQX: NTTHF) (FSE: NE2) is pleased to announce that Institutional Shareholder Services Inc., a leading independent proxy advisory firm that provides voting recommendations to institutional investors, recommends that Neo Lithium shareholders (“**Shareholders**”) vote “FOR” the proposed plan of arrangement (the “**Arrangement**”) between the Company, Zijin Mining Group Co., Ltd. (the “**Parent**”) and its wholly-owned subsidiary 2872122 Ontario Inc. (the “**Purchaser**”, and collectively with the Parent, “**Zijin**”), as previously announced on October 8, 2021.

In recommending that Shareholders vote “FOR” the Arrangement, ISS stated, among other things:

- “The special committee appears to have conducted a robust process, considering a number of potential transaction structures, counterparties, and financing alternatives.”
- “In light of the significant premium, the favourable market reaction, the reasonable strategic rationale and the absence of significant governance concerns, shareholder approval of this resolution is warranted.”

The Meeting and Voting at the Meeting

The special meeting of Shareholders called for the purposes of

considering the Arrangement (the “**Meeting**”) will be held on Friday, December 10, 2021 at 9:00 a.m. (Toronto time). The Meeting will be conducted virtually through TSX Trust’s virtual meeting platform at <https://virtual-meetings.tsxtrust.com/1232>, password: neolithium2021 (case sensitive).

At the Meeting, Shareholders will be asked to vote for or against the Arrangement. If the Arrangement becomes effective, Shareholders will be entitled to receive \$6.50 in cash for each common share of the Company (collectively, “**Shares**”) held. In order for the Arrangement to become effective, the Arrangement must be approved by at least two-thirds ($66\frac{2}{3}\%$) of the votes cast by Shareholders virtually in attendance or represented by proxy at the Meeting and entitled to vote. In addition, the Arrangement must be approved by a simple majority of the votes cast by Shareholders virtually in attendance or represented by proxy at the Meeting and entitled to vote, after excluding 7,081,300 Shares directly or indirectly held or controlled by Messrs. Waldo Perez and Constantine Karayannopoulos in accordance with Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* (“**MI 61-101**”). The Arrangement is also subject to the approval of the Ontario Superior Court of Justice (Commercial List).

Neo Lithium urges all Shareholders to vote and re-iterates that the Board of Directors of Neo Lithium (the “**Board**”) unanimously recommends that Shareholders vote FOR the Arrangement. Your vote is important regardless of the number of Shares you own.

Detailed information regarding the Arrangement, the Meeting, and voting procedures is included in the Company’s management information circular dated November 8, 2021 (the “**Circular**”), which was mailed to all Shareholders and is available on the Company’s SEDAR profile at www.sedar.com, and also on the Company’s website

at <https://www.neolithium.ca/zijin-materials/Notice-of-Meeting-and-Information-Circular.pdf>. The Circular contains important information for Shareholders, including a description of the key terms and conditions of the Arrangement and the background leading to the execution of the arrangement agreement (the **“Arrangement Agreement”**) relating to the Arrangement, the benefits of the Arrangement to Shareholders and the rationale that led a special committee of independent directors (the **“Special Committee”**) to unanimously recommend approval of the Arrangement to the Board and the entire Board to recommend that Shareholders vote FOR the Arrangement.

THE DEADLINE TO VOTE YOUR SHARES IS 9:00 A.M. (TORONTO TIME) ON DECEMBER 8, 2021 (BEING TWO DAYS PRIOR TO THE MEETING). REGISTERED SHAREHOLDERS OR THEIR DULY APPOINTED PROXIES, AND NON-REGISTERED SHAREHOLDERS WHO HAVE MADE THE NECESSARY ARRANGEMENTS WITH THEIR INTERMEDIARIES, MAY VOTE AT THE MEETING ON DECEMBER 10, 2021. TO ENSURE THAT YOUR SHARES WILL BE REPRESENTED AT THE MEETING, YOU SHOULD CAREFULLY FOLLOW THE VOTING INSTRUCTIONS PROVIDED IN THE CIRCULAR AND ASSOCIATED MATERIALS PRIOR TO THE DEADLINE.

Non-registered Shareholders (i.e., those who hold Shares through an intermediary, such as a broker) will need to submit their voting instructions prior to the deadline in accordance with the instructions received from their brokers or other intermediaries.

Shareholders who have questions or require assistance voting their Shares should contact TMX Investor Solutions, the Company’s proxy solicitation agent, by telephone toll-free in North America at 1-800-294-5107, or collect from outside North America at 1-416-682-3825, or by e-mail at inquiries@dfking.com.

Supplemental Transaction Disclosure to Assist Shareholders in Assessing the Strategic Rationale for, and the Benefits of, the Arrangement

The Circular contains detailed information with respect to the events and circumstances leading up to the execution of the Arrangement Agreement and the Special Committee's and the Board's unanimous decision to recommend that Shareholders vote for the Arrangement. The Company wishes to provide supplemental disclosure to assist Shareholders in understanding the strategic rationale for and benefits of the Arrangement.

In particular, as described extensively in the Company's public disclosure, the Company wishes to highlight for Shareholders that management and the Board collectively own 12,239,300 Shares, representing approximately 8.7% of the outstanding Shares and have the same interest in maximizing the value of the Shares as all Shareholders. All of the directors and officers that own Shares or options to purchase Shares ("**Options**") have entered into voting and support agreements agreeing to vote in favour of the Arrangement, and have voted their Shares.

Additional Background and Strategic Rationale for the Arrangement

The Circular describes an exhaustive process by which the Company sought to identify and execute a strategic financing transaction to develop the 3Q Project beginning in 2018, and which culminated in a more structured process beginning in July 2021. During this later stage of the process, the Company and its advisors maintained active discussions with nine parties with credible interest in executing a strategic transaction. Two other credible strategic parties were invited to participate but did not engage during the process.

Three of these interested parties submitted proposals to

negotiate a joint venture transaction that would provide the Company with development financing, which included an offtake component. One party submitted an equity financing proposal. One of the parties that proposed the joint venture financing transaction subsequently indicated its interest in an all-cash acquisition of the Company as an entirety as an alternative to the joint venture. After the parties in the process were advised by the Company's financial advisor of an alternative acquisition proposal, another party in the process subsequently also indicated its interest in an acquisition of all of the Shares for cash consideration. Zijin entered the process later than other parties and only proposed an all-cash acquisition of all of the Shares. The price per Share proposed in each of these all-cash indicative offers was below the price ultimately offered by Zijin in connection with the Arrangement.

The Company explored and was open to a wide variety of potential transaction structures in its process, such as combinations of joint venture, debt financing, equity financing, and offtake arrangements, in addition to an outright sale of the Company. Through the feedback and experience received in the process, the Company came to believe that most credible potential counterparties capable of executing a transaction were interested in the Company for the purpose of securing a long-term supply of lithium carbonate (offtake) from the 3Q Project at preferential pricing, however, any indicative terms for such transactions would have required the Company to deliver the partner an amount of offtake that was disproportionate to the proposed investment in the Company and none of these proposals were ultimately seen as maximizing value for Shareholders. Although the Company was willing to explore preferential offtake arrangements as a component of project financing alternatives, the Company did not believe it was in the best interests of the Company to enter into significant offtake arrangements as part

of a strategic transaction without a significant preferential financing package and give up control of product supply, as the Company believed it would be preferable to preserve potential long-term upside in lithium carbonate pricing for the Company and Shareholders.

However, any upside from lithium carbonate pricing to the Company depended on eventual production from the 3Q Project. Neo Lithium is a pre-operational, single-asset, non-cash-flowing company operating in Argentina, a relatively high political risk jurisdiction, with no experience operating a lithium brine project, which is a highly complex specialty chemical business, or in selling the product therefrom, and no definitive financing arrangements to construct a brine evaporation complex to produce lithium carbonate, which requires significant initial capital expenditure. As described extensively in the Company's public disclosure, lithium carbonate is a specialty chemical, the market for which is relatively small and competitive, not commoditized, and the product is typically sold with specialized characteristics pursuant to long-term supply contracts with specialized users, rather than in a transparent, competitive and liquid commodity market. Although the Company has had success producing very high purity, battery grade lithium carbonate on a pilot scale to date, such production is difficult and may not be reproduced on a commercial scale in quantities or with the specifications required, or at all. As a result, any strategic alternatives for the Company that could potentially result in Neo Lithium continuing and developing the 3Q Project as a stand-alone entity, including joint ventures, offtake, equity, or debt finance arrangements, represented significant risk to Shareholders, not only from the continued risk of finding financing on attractive terms, and constructing a brine complex and processing facility in line with capital expenditure projections and in a window that could take advantage of an

elevated lithium price environment, but also from eventual operation of the asset and the ability to sell any product produced therefrom. Debt financing, if available at all for a development-stage pre-cash flow company operating in Argentina, whether from commercial banks or other sources, would likely require an extensive security package, extensive additional due diligence, and come with restrictive operating covenants, all of which represented significant downside risk to a Shareholders' equity investment in the Shares, and the amount of equity financing required to construct the 3Q Project and begin operations, if available at all, would be significantly dilutive to Shareholders.

Given the difference in negotiating incentives between the Company, that is incentivized to sell lithium carbonate at the highest price, and counterparties, that desired a secure supply of lithium carbonate, the Company believes that certain counterparties in the process ultimately came to realize it was in their interests to, and began to express a preference for, acquiring all of the Shares at a premium to the trading price in order to achieve the objective of securing a supply of lithium carbonate. Taking into account the above considerations, the likely available strategic alternatives and the likelihood of execution of a financing transaction that would advance the 3Q Project, and the significant risk of diminishing equity value from continuing as a stand-alone entity, the Special Committee, empowered to consider a range of alternatives, including the status quo, determined an acquisition of the Shares at a significant premium to the trading price would also be the best way to maximize and crystallize value for the Shareholders while at the same time minimizing significant future financing, development, country and operational risks. Given these risks, the "status quo" for the Company included the need to consummate a strategic transaction with a third-party, and the "status quo"

absent the completion of such a transaction was not a long-term viable alternative.

The Arrangement was the superior alternative that emerged from a range of carefully considered alternatives, including continuing as a stand-alone entity, and the purchase price of \$6.50 offered by Zijin pursuant to the Arrangement was the highest price offered and was financially superior to any other offer received by Neo Lithium up to the date of execution of the Arrangement Agreement. In addition, Zijin to that point had demonstrated engagement equal to or greater than all other participants in the process with their pace of and commitment to execution, including with respect to diligence, including comprehensive site visits despite significant difficulties posed by COVID restrictions in Argentina, the form of transaction documents, and advisor engagement, leading the Special Committee and the Board to have confidence in Zijin's ability to ultimately consummate the Arrangement.

The Timing of Release of the Feasibility Study Results did not have any Impact on the Negotiations that Resulted in the Arrangement

The Circular describes the circumstances in which the Company determined to re-engage with potential strategic partners more actively in July 2021 as opposed to waiting for the results of its ongoing feasibility study (the "**Feasibility Study**"). Reported lithium prices were increasing from approximately the beginning of 2021, resulting in potentially more favourable circumstances for the Company to execute a strategic transaction and the formal process with selected parties that began in July 2021. For at least a year prior thereto, the Company had commenced various work streams that together would constitute the Feasibility Study. The Company had a long history of engagement with potential interested parties, as extensively

described in the Circular and herein, and based on those relationships concluded the primary motivation for a counterparty was most likely security of supply of high-purity lithium carbonate, not the economic value of operating the 3Q Project based on contract sales of lithium carbonate. The Company believes the most relevant economic parameters to a counterparty were capital and operating costs. In addition, any credible interested party involved in the process would conduct and commit resources to its own technical due diligence, including its own economic assessment of the 3Q Project. This belief was borne out in the Company's strategic process, as no interested parties indicated concern about the results of the Feasibility Study in negotiations, either because they were comfortable with the available information or due to reliance on their own technical analysis.

As the preliminary results of the various work streams making up the Feasibility Study became available, indications were that the study would generally confirm the publicly disclosed economic parameters in the Company's pre-feasibility study, the results of which were announced in the spring of 2019, without material differences, either positive or negative. In particular, the preliminary capital and operating expenditures estimates, key outcomes of the Feasibility Study, were available to interested parties and their advisors for review in connection with any potential offer, subject to the caveat that indicative results were subject to possible change prior to the final offer submission date once external engineers finished their work and vetting procedures to complete the study. The Company carefully considered the impact that the results of the study, and not waiting for their public release, might have on the process, and determined the public release of the final study results would not affect the strategic process that resulted in the Arrangement. Taking into account the results of

the Feasibility Study and of the process, the Company does not believe the results of the Feasibility Study had or would have had any impact on negotiations with any participant.

Addendum to Previously Filed Circular

The Company will file an addendum to the Circular under the Company's profile on www.sedar.com. The addendum will include the additional background information above and further supplemental disclosure regarding collateral benefits to be received by certain related parties of the Company, as initially disclosed in the Circular.

Shareholder Questions and Assistance

If you have any questions on the Arrangement or require assistance voting your Shares, please contact our proxy solicitation agent, TMX Investor Solutions at 1-800-294-5107 toll-free in North America, or call collect outside North America at 1-416-682-3825, or by e-mail at inquiries@dfking.com.

About Neo Lithium Corp.

The 3Q Project is located in the Province of Catamarca, the largest lithium producing area in Argentina. The project covers approximately 35,000 ha and the salar complex within this area is approximately 16,000 ha.


Additional information regarding Neo Lithium and the Arrangement is available in the Circular and other meeting materials, and in other documents on SEDAR at www.sedar.com under the Company's profile and at its website at www.neolithium.ca.

Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release. The TSX Venture Exchange Inc. has in

no way approved nor disapproved the contents of this press release.

Cautionary Note Regarding Forward Looking Statements – Certain information set forth in this news release may contain forward-looking statements. Such statements include but are not limited to, statements with respect to the anticipated date of the Meeting, the date for the public audience of the Environmental Impact Assessment and the approval of the Catamarca mining authority thereafter, completion of the arrangement with Zijin and the benefits to Shareholders from the Arrangement. Generally, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “is expected”, “scheduled”, “estimates” “intends”, “anticipates”, “believes”, or variations of such words and phrases, or statements that certain actions, events or results “can”, “may”, “could”, “would”, “should”, “might” or “will”, occur or be achieved, or the negative connotations thereof. Forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond the control of the Company, which could cause the actual results, performance or achievements of the Company to be materially different from the future results, performance or achievements expressed or implied by such statements. These risks include, without limitation, the possibility that the Arrangement will not be completed on the terms and conditions, or on the timing, currently contemplated, and that it may not be completed at all, due to a failure to obtain or satisfy, in a timely manner or otherwise, required Shareholder, court and regulatory approvals and other conditions of closing necessary to complete the Arrangement or for other reasons, the possibility of adverse reactions or changes in business relationships resulting from the announcement or completion of the Arrangement, political and regulatory risks associated with mining and exploration activities and operations in Argentina,

environmental regulation, and other risks and uncertainties related to the Company's prospects, properties and business detailed elsewhere in the Company's disclosure record, including, but not limited to, the risk factors described in the Company's revised annual information form for the year ended December 31, 2019 available on SEDAR. Although the Company believes its expectations are based upon reasonable assumptions and has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended and undue reliance should not be placed on forward-looking statements.

SOURCE Neo Lithium Corp. 

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