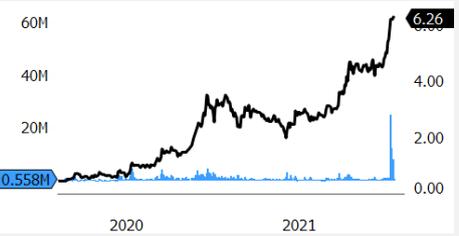


Neo Lithium (NLC CN) / Zijin Mining (2899 HK)

Plan of Arrangement

Deal Terms	
1 NLC CN = CAD 6.50	
Target: Neo Lithium	
Country	Canada
Bloomberg	NLC CN
Sector	Mineral & Precious Stone Mining
Share price (CAD)	6.26
Market cap (CADm)	877
Free float (%)	~91
Acquirer: Zijin Mining	
Country	Hong Kong
Bloomberg	2899 HK
Sector	Precious Metals
Share price (HKD)	10.26
Market cap (HKDm)	316,560
Free float (%)	~100
NLC Price Chart	
	
Status	
NLC's management information circular - in November 2021	
Author	
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The deal spread appears to be somewhat wide given the limited downside and a low probability of the deal being blocked.

Regulatory risk:

- Chinese and Canadian approvals are required. NLC also has to obtain the approval of the environmental impact assessment (EIA) for the exploitation stage of the 3Q Project by the Ministry of Mines of the Province of Catamarca.
 - The EUI approval was submitted on April 15, 2019. As Argentina is a lithium mining friendly country and NLC already gained such approval for another project we don't see substantial risk to this approval
- We believe that US and/or EU will not have jurisdiction, however we would not rule out (especially from the US) some pressure towards the Canadian authorities to scrutinize the deal in case it hurts US national interests. Canadian authorities might also look into the deal in order to protect national interests.
- Lithium is a strategic asset for both US and Canada (also for Europe).
- Right now, much of the supply chain is concentrated in China, which makes more than 70% of the world's lithium-ion batteries, according to Benchmark. The country also refines and manufactures the majority of minerals and materials needed for those batteries.**

Supply-demand balance

- Increasing and sustained lithium demand will strain supply through 2030. Between now and 2025, supplies from current and planned projects are expected to come online to meet demand; and from 2025 to 2030 new supply sources must come online to support demand.

In the near term, Australia will still dominate the supply side however South American production growth will be the most important.

- In the longer term the distribution of reserves will be the key. Argentina Bolivia and Chile, "the Lithium triangle", will be the key market that will drive the supply side. The earliest possible ramp of production will come from Chile and Argentina which owns about 50%+ of global lithium reserves (2P).

The only lithium producing mine in the US is Albemarle's Silver Peak Mine in Nevada currently producing 5000 tonnes p.a.s

- The net import reliance of the US is still above 50%. Today Chile and Argentina have 90%+ share in US imports.**
- Piedmont is about two years away from pulling lithium out of the ground in North Carolina. Last September, it announced a deal to supply lithium to Tesla Inc. once its mine comes into operation. US has huge reserves, however at today's prices, much of that American lithium is too expensive to pull out of the ground.
- Piedmont expects to produce 160,000 tons a year of concentrated spodumene, yielding 22,700 tons of refined material. That could represent several times more output than current US production, but not nearly enough to meet expected demand. **Thus in the future US will rely on import.**

Neo Lithium / Lithium Triangle

- According to the pre-feasibility study in April 2021, the 3Q Project is expected to produce 20,000 tonnes of battery-grade lithium carbonate per annum over a 35-year life of mine. Through adopting the evaporation technology, it is possible for the brine lake to produce 40,000 to 60,000 tonnes of lithium carbonate per year.
- Neo Lithium will have a 2%-7% share of global production in the near future.
- In the Lithium Triangle (considering Argentina's and Chile's 2P reserves only) NLC owns 11.7% of available lithium reserves.
- Other major players in the area include SQM, Albemarle, Lithium Americas, Livent, Orocobre, Lake Resources, Millennial Lithium, Tianqi and Ganfeng. The local industry is dominated by Chilean, US, Australian, Canadian and Chinese companies.

ML CN / CATL

- Canada's Millennial Lithium Corp said on late September that the Chinese battery maker Contemporary Amperex Technology Co Ltd (CATL) has agreed to buy the miner for C\$376.8 million (\$297.3 million), after outbidding compatriot Ganfeng Lithium. ML is also an Argentina focused lithium mining company. The deal is still pending and so far, no opposing voice has been raised.
- We note that ML is approx. half the size of NLC thus any issues in the Canadian review process would likely blow up the NLC deal spread. In contrast a smooth ML deal review does not necessary guarantee a straightforward process for NLC.

CBR summary

We see several mitigating factors which makes ICA approval likely:

- New production in US and Canada will come into play in the coming years** to support increased demand.
- In the key South American market Chilean, Canadian, Australian and US lithium miners are also present besides Chinese players, therefore **US and Canada will have remaining partners from ally countries to source lithium in the region.**
- In a worst-case scenario, Australian import could also be a substitute for South American production.
 - Given that transportation cost is a limited portion of the final lithium product near term supply from Australia or South America will be more or less substitutes. Further the strong strategic ties between US and Australia will guarantee that any escalation of US China tensions will not leave US without lithium
- Neo Lithium's production will equal to 2%-7% of the global production in the near future. In the Lithium Triangle (considering Argentina's and Chile's 2P reserves only) NLC owns 11.7% of the available lithium reserves.
- NLC has a strong strategic partnership with CATL the largest battery producer for EVs in the world.** We believe in the current market situation blocking the deal could threaten Chinese battery supply to the US.
- There are plans to set up processing / battery producing sites in the US, but at a current stage **the industry is heavily reliant on Chinese production**
 - Domestic lithium processing and battery production will rely on US and Canadian mines in the future.

There are still key risks which include

- In the Lithium Triangle China is not yet dominant but it's intention being dominant is clear. At some point US and Canadian regulators might think about halting this expansion.
- South American production is among the cheapest thanks to high concentration and lower costs.
- US imports are heavily reliant on Chile and Argentina (90%+ share from US import)

In China we don't expect major problems given Zijin's activity in the merger space without any obstacles in recent years.

Counter bid

- CATL would be the most likely and natural counterbidder however they are digesting the takeover of Millennial Lithium (CAD377 million). Based on that CATL is unlikely going into a second potential bidding war.
- Ganfeng was knocked out from ML by CATL. They are trying to buy decent assets. The asset list Ganfeng owns includes Lithium Americas, Arena Minerals, International Lithium, and a host of others.

Key terms of the merger

Transaction Details

Announcement Date	October 9, 2021
Offer terms	1 NLC CN = CAD 6.50
% owned by NLC CN stockholders	0%
Deal Size (Market Value)	\$919m
Offer structure	Plan of Arrangement under the Business Corporations Act (Ontario)
Target's Board Recommendation	Yes
Voting Agreement	Yes
Target Incorporation	Ontario (Canada)
Synergies	■ N/A

Each of the directors and senior officers of the Target Company that hold Shares, as shareholders, has executed voting and support agreements and agreed: 1. to vote his/her Shares in favour of the arrangement resolution at the Special Meeting of Shareholders; 2. not to sell or dispose of any Shares or any securities that are convertible into the Shares of the Target Company; and 3. not to exercise any rights of dissent.

Indicated Closing Date

- The Transaction is expected to close in the first half of 2022.

Dividends

- NLC CN hasn't paid dividend so far. Target Company shall conduct its businesses in the ordinary course of business and follow the approved budget, and shall be consistent with past practice.

Financing

- The fund for the Acquisition will be self-financed by the Company.

NLC CN capitalization

- NLC CN Equity ■ As at 30 June 2021, Neo Lithium had 141,344,654 common shares issued and outstanding and 8,855,000 stock options outstanding in total.
- NLC CN Debt ■ NLC has no debt, only cash.

Valuation Multiples

- 1-day premium 18% (36% over 20-day VWAP) as at October 8, 2021

Timetable

■ Arrangement Agreement	October 8, 2021
■ Deal Announcement	October 9, 2021
■ NLC's management information circular	in November 2021
■ NLC Shareholders' meeting	in December 2021
■ Regulatory filings to be made	By mid-November 2021
■ Regulatory approvals in place	By H1 2022
■ Settlement (CBR est.)	H1 2022
■ Outside date	March 8, 2022
■ Extended outside date (+90D)	June 6, 2022

Solicitation Clause (WNR and TSO)

- There is a non-solicitation clause with a fiduciary out.
- If the Target Company receives an acquisition proposal in good faith and not under active solicitation, the Target Company shall have the right to respond and the Target Company shall notify the Purchaser. If the Target Company considers that the offer constitutes a superior proposal, it shall notify the Purchaser and the Purchaser has a right to respond or match within ten business days.

Key conditions to the merger

- Shareholder approval ■ approval of at least 66.67% of the votes cast by shareholders
- No injunctions ■ Yes
- No legal prohibition ■ Yes
- Regulatory Approvals ■ National Development and Reform Commission of the PRC, the Ministry of Commerce of the PRC, the State Administration of Foreign Exchange of the PRC and the approvals, registrations, filings and clearances under the Investment Canada Act ("ICA") shall have been made, given or obtained
- The approval of the environmental impact assessment for the exploitation stage of the 3Q Project shall have been obtained ■ Yes

■ No Company MAC	■ Yes
■ Reps and warranties	■ Yes
■ Court approvals	■ Yes

Break fees

■ Break fee	<ul style="list-style-type: none"> ■ US\$35 million ■ (1) There is a material breach of non-solicitation obligations by the Target Company; ■ (2) The board of directors of the Target Company changes its recommendation; ■ (3) The Target Company accepts a superior proposal; or ■ (4) The Agreement is terminated by the Company, the Purchaser or the Target Company, if there is a failure to obtain the shareholder approval at the Special Meeting of Shareholders, or by the Company or the Purchaser, if there is a material breach of any representation or covenant by the Target Company. ■ In the event that the Target Company is in material breach of any representations or covenants which makes the Purchaser terminate the Agreement, the Target Company shall pay the Purchaser CAD\$1m as a compensation
■ Reverse break fee	<ul style="list-style-type: none"> ■ US\$35 million ■ in the event that the approvals from the government of the PRC have not been obtained, which makes the Transaction cannot be consummated.

Antitrust related clauses

■ Jurisdictions	■ Canada, China
■ Divestiture obligation	■ N/A
■ Litigation obligation	■ N/A
■ Reverse break fee (regulatory)	■ Yes US\$35 million

Governing Law

The Agreement shall be governed by the laws of the Province of Ontario and the laws of Canada applicable therein

Key NLC CN shareholders

The top five shareholders of NLC are: Contemporary Amperex Technology Co. Limited, Orn & Cie SA, Waldo Perez, Gabriel Pindar and BlackRock Inc., which parties hold approximately 8%, 5%, 4%, 4% and 3% of the Shares, respectively.

Company descriptions & rationale for the merger

NLC CN DESCRIPTION

- Neo Lithium Corp. has quickly become a prominent name in lithium brine development by virtue of its high quality 3Q project and experienced team. Neo Lithium is rapidly advancing its 100% owned 3Q project - a unique high-grade lithium brine lake and salar complex in Latin America's "Lithium Triangle".
- The 3Q project is located in Catamarca Province, the largest lithium producing area in Argentina covering approximately 35,000 ha including a salar complex of approximately 16,000 ha.
- The core asset of Neo Lithium is its 100% interest in the 3Q lithium brine lake project in Argentina.

Geographical location and infrastructure

- The 3Q Project is located in the southern end of the renowned "Lithium Triangle" in the Puna Plateau, which is in the southwestern region of Catamarca Province, the largest lithium production area in Argentina. The 3Q Project is connected to the national highway RN60 via 68km of gravel roads. This highway joins the capital city of Catamarca Province with the border of Chile and the port. There are no aboriginal communities or inhabitants in the project area. The project site is approximately 30 kilometres from the border of Chile, and is at straight line distance of about 200 kilometres from Caldera, a port in Chile. The average elevation of the 3Q salar site is around 4,100 metres above sea level. It has an alpine climate. The annual temperature is between -4oC and 10oC, the annual precipitation is about 70-190 mm, and the evaporation is about 1,800 mm per annum. There is sufficient water supply surrounding the salar to satisfy the production need.

Mining Claims

- The 3Q Project consists of 13 Mining Claims, the total area of which is 353 square kilometres, covering the entire salar surface and brine lake. Of such 13 Mining Claims, 10 continuous Mining Claims of the 3Q Project have been consolidated into one Mining Group, constituting the core area of mining activities, covering an area of 267 square kilometres. The Mining Claims are granted for an unlimited period of time and remain the holder's property as long as the holder meets its obligations under the laws of Argentina, including annual canon payments and minimum investment commitments.

Mineral resource estimate

- Neo Lithium updated the mineral resource estimate results of the 3Q Project in accordance with NI 43-101 in June 2021. The results of the estimate show that the total mineral resource of lithium carbonate equivalent for the 3Q Project is about 7.565 million tonnes (lithium ion concentration at 400 mg/L cut-off). Among which, the total measured + indicated resource volume of lithium carbonate equivalent is 5.304 million tonnes, with average lithium ion concentration of 636mg/L.

Lithium mineral resource estimate results of the 3Q Project (lithium ion concentration at 400 mg/L cut-off)

At 400 mg/L cut-off	Average Li concentration (mg/L)	Li (tonne)	Li ₂ CO ₃ equivalent (tonne)
Measured	790	346,000	1,839,000
Indicated	576	651,000	3,465,000
Total M & I	636	996,000	5,304,000
Inferred	561	425,000	2,261,000

- The above mineral resource contains high-grade lithium carbonate equivalent resource of 1.845 million tonnes (lithium ion concentration at 800 mg/L cut-off). Among which, the total measured + indicated resource volume of lithium carbonate equivalent is 1.682 million tonnes with average lithium ion concentration of 926mg/L.

Lithium mineral resource estimate results of the 3Q Project (lithium ion concentration at 800 mg/L cut-off)

At 800 mg/L cut-off	Average Li concentration (mg/L)	Li (tonne)	Li ₂ CO ₃ equivalent (tonne)
Measured	928	175,000	930,000
Indicated	923	141,000	752,000
Total M & I	926	316,000	1,682,000
Inferred	918	31,000	163,000

Mineral reserve estimate

- According to Neo Lithium's pre-feasibility study updated in accordance with NI 43-101 in April 2021, the total lithium mineral reserves (proven and probable) of the 3Q Project are estimated at 1,294,000 tonnes of lithium carbonate equivalent, including proven

reserves of 328,000 tonnes lithium carbonate equivalent and probable reserves of 966,000 tonnes lithium carbonate equivalent. The average lithium ion concentration is 790 mg/L.

Potential of resource

- The 3Q Project brine basin dips east, showing that it is controlled by syn-sedimentary faults, and additional volume of high-grade resource is available on the eastern side of the basin. It indicates that there is a good potential to increase the known mineral resource.

Information about impurities

- The magnesium ion and sulfate content for the 3Q Project is low. The ratios of impurities to lithium in the mineral resource with lithium ion concentration at 800 mg/L cut-off are shown in Table 3:

Table 3: List of impurity ratios of the 3Q Project (lithium ion concentration at 800 mg/L cut-off)

Impurity ratio (At 800 mg/L cut-off)	Magnesium/Lithium	Sulfate/Lithium
Measured	1.66	0.49
Indicated	1.66	0.48
Total M & I	1.66	0.49
Inferred	1.67	0.41

Project development plan

- **(1) Overall planning** - Neo Lithium had completed the pre-feasibility study for the 3Q Project in 2019 and updated it in April 2021. It is currently working with Worley on the definitive feasibility study for the 3Q Project, which is expected to be completed in the fourth quarter of 2021. The 3Q Project is expected to commence construction after the feasibility study is completed and the approval of the environmental impact assessment is obtained. **According to the pre-feasibility study in April 2021, the 3Q Project is expected to produce 20,000 tonnes of battery-grade lithium carbonate per annum over a 35-year life of mine.** The Project is expected to have initial capital expenditures of USD\$319 million, deferred and sustainable capital costs of USD\$207 million, cash operating costs per tonne of lithium carbonate equivalent of USD\$2,914; an after-tax net present value (NPV @8% discount rate) of USD\$1,144 million, an internal rate of return (IRR) of 49.9%, and the payback period is expected to be 1.7 years (excluding the amount of acquisition fund and the time for project construction). The designated annual production volume of the 3Q Project is 20,000 tonnes of lithium carbonate, which is based on minimal financing. According to the preliminary study conducted by a consultant, the Project has the conditions for production expansion. **Through adopting the evaporation technology, it is possible for the brine lake to produce 40,000 to 60,000 tonnes of lithium carbonate per year.**
- **(2) Lithium extraction process** - Since October 2016, Neo Lithium has built two sets of pilot evaporation ponds in the salar area, and a lithium carbonate pilot plant with an annual production capacity of 40 tonnes. Neo Lithium produced battery-grade lithium carbonate with a purity of 99.891% in June 2021. The 3Q Project intends to adopt the conventional evaporation - purification - lithium carbonate precipitation process to extract battery-grade lithium carbonate from the brine extracted from the wells.
- **(3) Operation of the Project** - The Company will maintain the current management and professional team of Liex S.A., Neo Lithium's project company in Argentina, to leverage on their abundant local management and operation experience. The development of the Project will make significant contributions to the economic and social development of the community and Catamarca Province, Argentina, where the Project is located.

ZIJIN MINING DESCRIPTION

- Formed in 1993 and based in Fujian, China, Zijin is one of the largest mining companies in China as well as a leading global gold and copper producer. It manages an extensive portfolio, primarily consisting of gold, copper, zinc, and other metals through investments in China and twelve overseas countries across Europe, Central Asia, Africa, Oceania and South America. Listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange, Zijin has a market capitalization of approximately US\$40 billion.

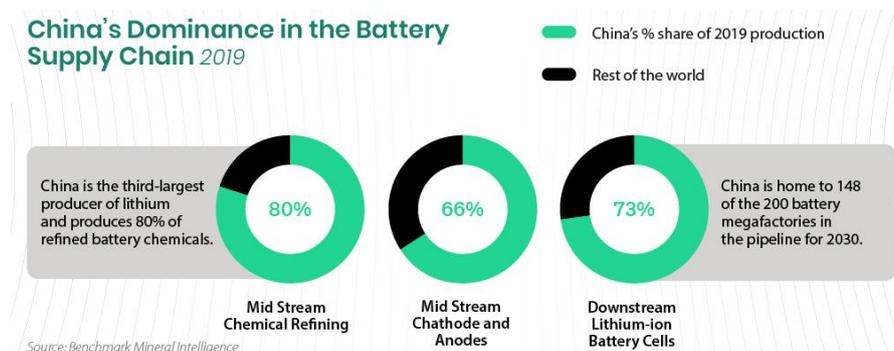
Key risks

REGULATORY RISKS AND TIMING

- **Chinese and Canadian approvals are required.**
- **We believe that US and/or EU will not have jurisdiction, however, we would not rule out (especially from the US) some pressure towards the Canadian authorities to scrutinize the deal. Canadian authorities might also look into the deal in order to protect national interests.**
 - However, we note that Canada has approved Zijin's acquisition of Nevsun and Continental Gold earlier. Both Nevsun's and CNL's key assets were located outside of Canada.
 - Approvals took almost 6 and 3 months, respectively.
 - Zijin's largest shareholder is a state-owned entity
- In China we don't expect major problems given Zijin's activity in the merger space without any obstacles in recent years.
 - China appears to support Zijin's overseas expansion given it has made several acquisitions in the last few years including Canadian entities. Zijin bought Kamo mine from Ivanhoe, Nevsun in 2018-2019 and said in early November it would buy partner Freeport McMoran Inc's copper-gold assets in Serbia for up to \$390 million.
 - Access to lithium is of strategic importance to Beijing.
- We note that relations between the two countries have been tense of late with China holding two Canadians in prison and Canada holding the CFO of Huawei Technologies Co. on an extradition order from the U.S. (The Nevsun deal was approved after the 2018 December arrests).
- The Trudeau government reconfirmed its hope of returning to business as usual when, in September, it named Dominic Barton as the new ambassador to China.
- NLC also has to obtain the approval of the environmental impact assessment (EIA) for the exploitation stage of the 3Q Project by the Ministry of Mines of the Province of Catamarca.
 - The EUI approval was submitted on April 15, 2019. As Argentina is a lithium mining friendly country and NLC already gained such approval for another project we don't see substantial risk to this approval

Potential US, Canada (EU) opposition

- **Lithium is a strategic asset for both US and Canada (also for Europe).**
- US key strategic plan to import lithium from Canada for its EV industry. In March 2021 Reuters [reported](#) that the U.S. government is working to help American miners and battery makers expand into Canada, part of a strategy to boost regional production of minerals used to make electric vehicles and counter Chinese competitors.
 - The U.S. Department of Commerce held a closed-door virtual meeting with miners and battery manufacturers to discuss ways to boost Canadian production of EV materials, according to documents seen by Reuters.
 - A source who attended the meeting said there was no indication that the Commerce Department would offer financial incentives for new mines or other supply chain components in Canada.
- U.S. battery-making capacity is expected to increase sharply over the next decade, rising more than sixfold from roughly 60 gigawatt hours of annualized production last year to about 383 gigawatt hours in 2030, according to Benchmark Mineral Intelligence.
- Battery-manufacturing giants such as South Korea's LG Chem Ltd. and SK Innovation Co. are building big factories in the U.S. to expand American production of electric-car batteries. LG Chem is building its factory in Ohio as part of a joint venture with General Motors Co.
- Tesla Inc. is also expanding its battery-making capabilities, seeking to cut costs and shorten its supply chain by making some materials in-house.
- **Right now, much of the supply chain is concentrated in China, which makes more than 70% of the world's lithium-ion batteries, according to Benchmark. The country also refines and manufactures the majority of minerals and materials needed for those batteries.**



Canada's view on lithium

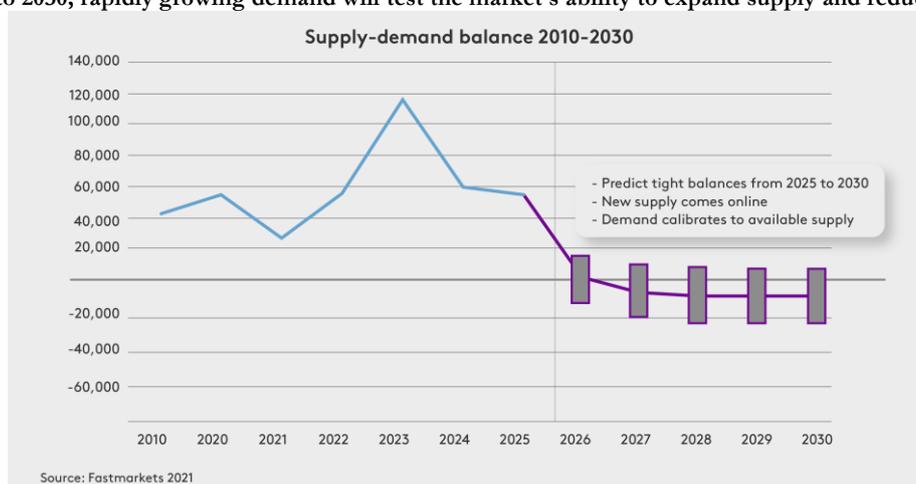
- As the [Canadian Minerals and Metals Plan 2019](#) notes, reliable supplies of Critical and Strategic Minerals are essential to key sectors of the Canadian economy, including a growing focus on "clean technologies" CSMs are also critical for Canada's national security, as well as the

security of Canada's strategic allies. Already, Canada's global partners, first and foremost the United States of America, are acting to diversify and to secure their supplies of CSMs through strategic partnerships and joint actions.

- From a geopolitical supply-chain and security perspective, as the US Geological Survey noted in 2020, "lithium supply security has become a top priority for technology companies in the United States and Asia. Strategic alliances and joint ventures among technology companies and exploration companies continued to be established to ensure a reliable, diversified supply of lithium for battery suppliers and vehicle manufacturers". Canada's emerging lithium sector can be positioned as able to provide a reliable supply of lithium to the United States and to strategic partners in the European Union and Asia.
- On October 29, 2020, Québec similarly released the [Québec Plan for the Development of Critical and Strategic Minerals \(2020-2025\)](#) that identifies twenty-two CSMs. Lithium is noted as a mineral strategic to the province's public policies (including green transportation) and renewable energy. As the plan notes, countries such as the USA, Germany, France and Japan consider certain minerals as strategic to their economies "and are acting to diversify and secure access to supplies of CSMs". **As such, CSMs are viewed as essential to Québec's "new economy" and for the province's and Canada's national security.**
- According to [WITS](#) Canada's major source of lithium carbonate import was Chile, China, Austria and Slovenia in 2019.

Supply-demand balance

- **The underlying market fundamentals for lithium are straightforward: Increasing and sustained demand will strain supply through 2030. Between now and 2025, supplies from current and planned projects are expected to come online to meet demand; and from 2025 to 2030 new supply sources must come online to support demand.**
- **Looking ahead to 2030, rapidly growing demand will test the market's ability to expand supply and reduce lead times.**



Source: <https://www.fastmarkets.com/article/3999803/lithium-supply-and-demand-to-2030>

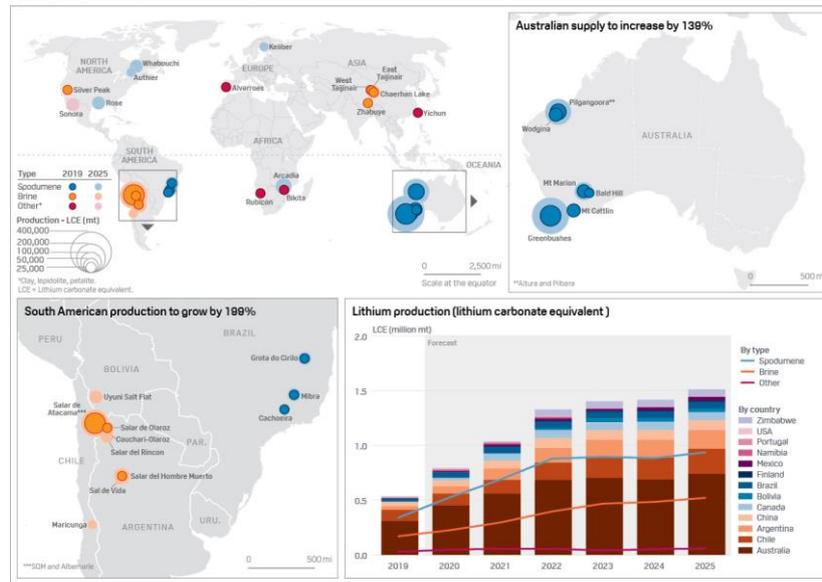
- A total of 345,000 tonnes of processed lithium were produced in 2020, dominated by resources from the lithium triangle and Australia. Lithium production must quadruple between 2020 and 2030 to meet growing demand, from 345,000 tonnes in 2020 to 2 million tonnes in 2030.

Supply

- On the supply side, we believe there are two key aspects.
 - The production coming into play in the near future up to 10 Years.
 - And potential production in the longer term which is based on the proven and probable reserves after 10 Years
 - It takes about 8-9 years, best case, for a new deposit to enter production.
- **In the near term, Australia will still dominate the supply side however, South American production growth will be the most important.**

LITHIUM SUPPLY SET TO NEAR TRIPLE BY 2025

Lithium is an integral component of batteries for electric vehicles. Over the past few years EV purchases have rocketed, with over 2 million sold in 2018 alone. With the anticipation of increased demand from the battery sector, lithium projects, exploration and investments have all increased. New and expanding projects have seen the bulk of lithium output shift from the much-hyped brine production in South America to hard rock mining in Australia. Despite expectations of further strong demand growth to come, a supply-demand imbalance in the market has caused lithium prices to drop during 2019, in turn stalling investment in the industry.



Source: S&P Global Market Intelligence, S&P Global Platts

- According to [USGS](#) survey owing to continuing exploration, identified lithium resources have increased substantially worldwide and total about 86 million tons. **Lithium resources in the United States—from continental brines, geothermal brines, hectorite, oilfield brines, and pegmatites—are 7.9 million tons.** Lithium resources in other countries have been revised to 78 million tons.
- Lithium resources:
 - Bolivia, 21 million tons;
 - Argentina, 19.3 million tons;
 - Chile, 9.6 million tons;
 - Australia, 6.4 million tons;
 - China, 5.1 million tons;
 - Congo (Kinshasa), 3 million tons;
 - Canada, 2.9 million tons;
 - Germany, 2.7 million tons;
 - Mexico, 1.7 million tons;
 - Czechia, 1.3 million tons;
 - Serbia, 1.2 million tons

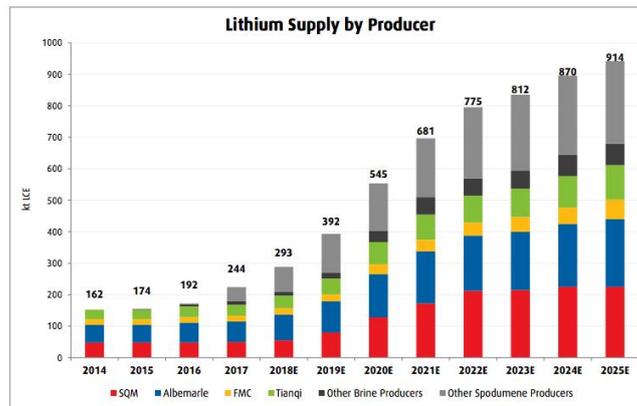
World Lithium Mine Production and Reserves (2P = economically extracted or produced at the time of determination) (selected countries by USGS):

	Mine production		Reserves ⁵
	2019	2020 ^e	
United States	W	W	750,000
Argentina	6,300	6,200	1,900,000
Australia	45,000	40,000	⁶ 4,700,000
Brazil	2,400	1,900	95,000
Canada	200	—	530,000
Chile	19,300	18,000	9,200,000
China	10,800	14,000	1,500,000
Portugal	900	900	60,000
Zimbabwe	1,200	1,200	220,000
Other countries ⁷	—	—	<u>2,100,000</u>
World total (rounded)	⁸ 86,000	⁸ 82,000	21,000,000

- In the longer term the distribution of reserves will be the key. Argentina Bolivia and Chile, “the Lithium triangle”, will be the key market that will drive the supply side. The earliest possible ramp of production will come from Chile and Argentina which owns about 50%+ of global lithium reserves (2P).
- The only lithium-producing mine in the US is Albemarle’s Silver Peak Mine In Nevada currently producing 5000 tonnes p.a.
- The net import reliance of the US is still above 50%.
- Piedmont is still about two years away from pulling lithium out of the ground in North Carolina. Last September, it announced a deal to supply lithium to Tesla Inc. once its mine comes into operation. At today’s prices, much of that American lithium is too expensive to pull out of the ground.
- Once it’s operational, Piedmont expects to produce 160,000 tons a year of concentrated spodumene, yielding 22,700 tons of refined material. That could represent several times more output than current US production, but not nearly enough to meet expected demand. Thus in the future US will rely on import.

Top 5 lithium miners (2 Chinese, 1-1 US, Australian and Chilean company)

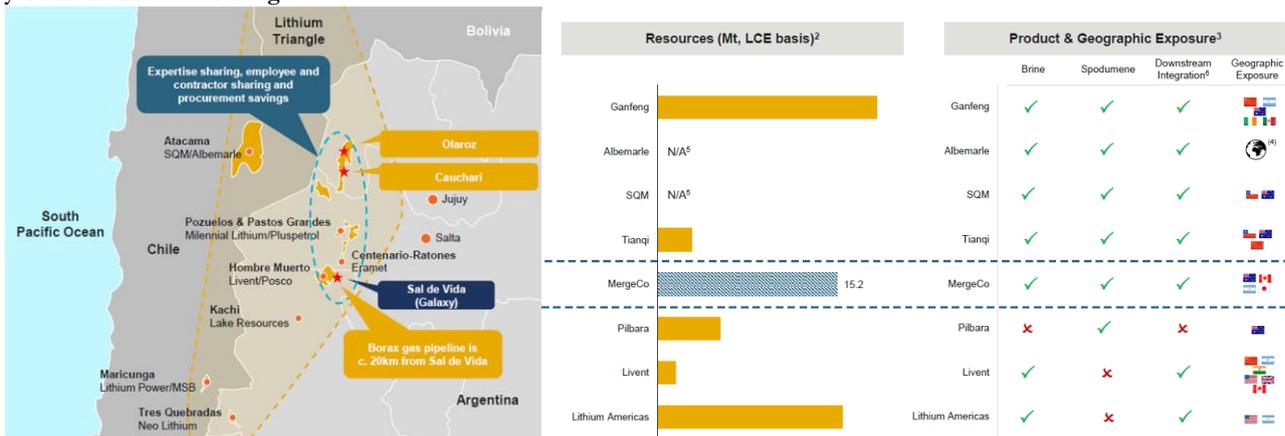
- 1. Jiangxi Ganfeng Lithium Co. Ltd - The company has mineral resources in Australia, Argentina, Mexico, and China. The company agreed to buy the shares it does not already own in Mexico-focused Bacanora Lithium for US\$264.5 million; it also bought a stake in a lithium mine in Mali for US\$130 million, as well as a salt lake in China for 1.47 billion yuan.
- 2. Albemarle - The company has a 49% share in Greenbushes mine in Australia, and owns two others, one in the Salar de Atacama in Chile and the other in Clayton Valley near Silver Peak, Nevada. Albemarle later signed a deal to invest US\$1.15 billion in a joint venture with Mineral Resources, which will own and operate the Wodgina hard-rock lithium mine in Western Australia.
- 3. Tianqi Lithium - The company owned a 51% stake in Winfield Holdings, the developer of the Greenbushes lithium project in Western Australia. The Greenbushes mine is the biggest operating lithium mine in the world, currently undergoing expansion to increase its production to over 160,000 metric tons per year.
- 4. Mineral Resources Ltd. - Their lithium project is a joint operation with Neometals Ltd and Jiangxi Ganfeng Lithium Co. Ltd known as Mt. Marion Lithium project located 40 km west of Kalgoorlie in Australia. It is an open pit mine with a life of 20 years with an estimated capacity of 450,000 tons per annum.
- 5. SQM - The company produces lithium carbonate and lithium hydroxide from brine in the Salar de Atacama salt flat in the Atacama desert in North Chile. The company has reported a capacity of 70,000 tons of lithium carbonate in 2020.



Neo Lithium's supply

- According to Neo Lithium's pre-feasibility study updated in accordance with NI 43-101 in April 2021, the total lithium mineral reserves (proven and probable) of the 3Q Project are estimated at 1,294,000 tonnes of lithium carbonate equivalent, including proven reserves of 328,000 tonnes lithium carbonate equivalent and probable reserves of 966,000 tonnes lithium carbonate equivalent.
- According to the pre-feasibility study in April 2021, the 3Q Project is expected to produce 20,000 tonnes of battery-grade lithium carbonate per annum over a 35-year life of mine. Through adopting the evaporation technology, it is possible for the brine lake to produce 40,000 to 60,000 tonnes of lithium carbonate per year.
- It appears that in the current Lithium miners space Neo Lithium won't be a key player with its 2%-7% global (production) market share in the near future.
- In the Lithium Triangle (considering Argentina's and Chile's 2P reserves only) NLC owns 11.7% of the available lithium reserves.
 - Other major players are SQM, Albemarle, Lithium Americas, Livent, Orocobre, Lake Resources, Millennial Lithium, Tianqi and Ganfeng.
 - The local industry is dominated by Chilean, US, Australian, Canadian and Chinese companies.
- US and Canada will have remaining partners from ally countries to source lithium in the region.

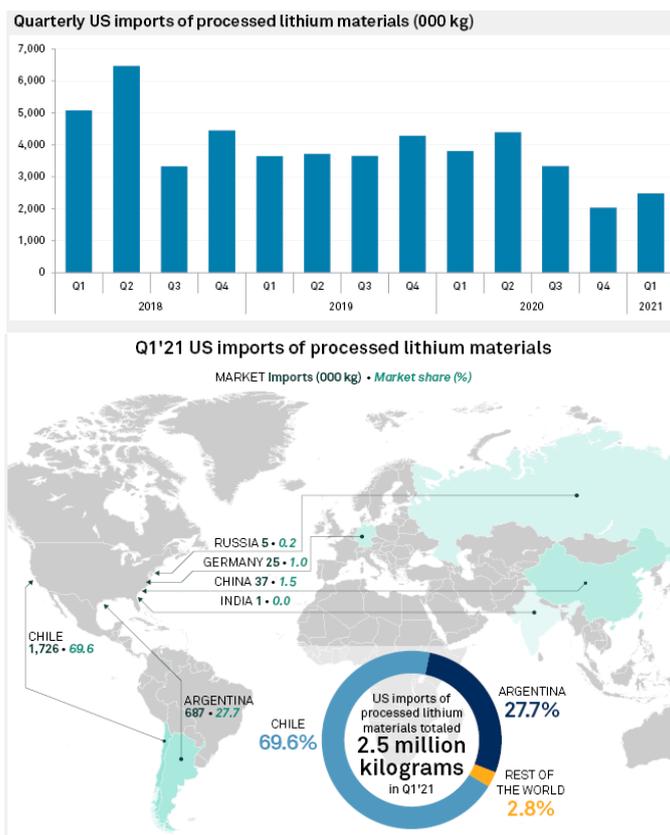
Players in the Lithium Triangle.



Source: GXY AU/ORE AU merger presentation

US Demand

- According to [USGS](#) survey from 2021 major import sources were (2016–19): Argentina, 55%; Chile, 36%; China, 5%; Russia, 2%; and other, 2%.
- [USGS](#) survey states:
 - “Domestic Production and Use: The only lithium production in the United States was from a brine operation in Nevada. Two companies produced a wide range of downstream lithium compounds in the United States from domestic or imported lithium carbonate, lithium chloride, and lithium hydroxide. Domestic production data were withheld to avoid disclosing company proprietary data.
 - “Five mineral operations in Australia, two brine operations each in Argentina and Chile, and two brine and one mineral operation in China accounted for the majority of world lithium production. **Owing to overproduction and decreased prices, several established lithium operations postponed capacity expansion plans.** Junior mining operations in Australia and Canada ceased production altogether. Lithium supply security has become a top priority for technology companies in the United States and Asia. Strategic alliances and joint ventures among technology companies and exploration companies continued to be established to ensure a reliable, diversified supply of lithium for battery suppliers and vehicle manufacturers. Brine-based lithium sources were in various stages of development in Argentina, Bolivia, Chile, China, and the United States; mineral-based lithium sources were in various stages of development in Australia, Austria, Brazil, Canada, China, Congo (Kinshasa), Czechia, Finland, Germany, Mali, Namibia, Peru, Portugal, Serbia, Spain, and Zimbabwe; and lithium-clay sources were in various stages of development in Mexico and the United States.”
- Imports of several types of lithium materials to the U.S. have been decreasing in recent years, according to an analysis by S&P Global Market Intelligence.
- The slowdown in processed and refined lithium imports to the U.S. comes as prices for lithium climb worldwide in response to growing demand for electric vehicles.



Precedents

TMAC Resources (TMR CN)/ Shandong Gold Mining

- In late 2020 Canada rejected Shandong Gold Mining’s bid for indebted TMAC Resources, the companies said, amid concerns about a Chinese state-owned entity operating in the country’s sensitive Arctic region.
 - “There were concerns about a Chinese state-owned enterprise taking over a mine in the far north and it was ultimately rejected,” an Ottawa source familiar with the matter said
- Shandong Gold added the sale was blocked on national security grounds.
- In contrast to TMAC NLC has assets in Argentina and not in Canada.
- The deal was blocked after 7 months. In early 2021 Agnico Eagle Mines a Canadian company bought TMAC.

ML CN / CATL

- Canada's Millennial Lithium Corp said on late September that the Chinese battery maker Contemporary Amperex Technology Co Ltd (CATL) has agreed to buy the miner for C\$376.8 million (\$297.3 million), after outbidding compatriot Ganfeng Lithium. ML is also an Argentina focused lithium mining company. The deal is still pending and so far, no opposing voice has been raised.
- NLC has a strong strategic partnership with CATL the largest battery producer for EVs in the world. We believe in the current market situation blocking the deal could threaten Chinese battery supply to the US.
- We note that ML is approx. half the size of NLC thus any issues in the Canadian review process would likely blow up the NLC deal spread. In contrast a smooth ML deal review does not necessary guarantee a straightforward process for NLC.

CNL CN / Zijin precedent

- Zijin's Continental Gold purchase was approved in 3 months.

CBR summary

- We see several mitigating factors which makes an approval highly likely:
 - New production also inside and outside US and Canada will come into play in the coming years to support increased demand.
 - Domestic lithium processing and battery production will rely on US and Canadian mines in the future. At current stage the industry is heavily reliant on Chinese production
 - Australian import is also a substitute for South American production.
 - In South America Chilean, Canadian, Australian and US lithium miners are also present besides Chinese players. None of them really dominates the market.
 - Neo Lithium's production will equal to 2%-7% of the global production in the near future. In the Lithium Triangle (considering only Argentina's and Chile's 2P reserves) NLC owns 11.7% of the available lithium reserves.
- There are still key risks which include
 - In the Lithium Triangle China is not yet dominant but it's intention being dominant is clear. At some point US and Canadian regulators will have to stop this process
 - South American production is among the cheapest thanks to high concentration and lower additional cost of mining.
 - US import reliance is heavily dependent on Chile and Argentina (90%+ share from US import)
- We see several mitigating factors which makes ICA approval likely:
 - New production in US and Canada will come into play in the coming years to support increased demand.
 - In the key South American market Chilean, Canadian, Australian and US lithium miners are also present besides Chinese players, therefore US and Canada will have remaining partners from ally countries to source lithium in the region.
 - In a worst-case scenario, Australian import could also a be substitute for South American production.
 - Given that transportation cost is a limited portion of the final lithium product near term supply from Australia or South America will be more or less substitutes. Further the strong strategic ties between US and Australia will guarantee that any escalation of US China tensions will not leave US without lithium
 - Neo Lithium's production will equal to 2%-7% of the global production in the near future. In the Lithium Triangle (considering Argentina's and Chile's 2P reserves only) NLC owns 11.7% of the available lithium reserves.
 - NLC has a strong strategic partnership with CATL the largest battery producer for EVs in the world. We believe in the current market situation blocking the deal could threaten Chinese battery supply to the US.
 - There are plans to set up processing / battery producing sites in the US, but at current stage the industry is heavily reliant on Chinese production
 - Domestic lithium processing and battery production will rely on US and Canadian mines in the future.
- There are still key risks which include
 - In the Lithium Triangle China is not yet dominant but it's intention being dominant is clear. At some point US and Canadian regulators might think about halting this expansion.
 - South American production is among the cheapest thanks to high concentration and lower costs.
 - US imports are heavily reliant on Chile and Argentina (90%+ share from US import)

SHAREHOLDER APPROVAL / COUNTERBID

- Benefits to Neo Lithium Shareholders
 - Immediate and significant premium of approximately 36% to the 20-day VWAP on the TSXV
 - All-cash offer that is not subject to a financing condition
 - Strong deal certainty with a highly credible and leading global mining company as purchaser
 - Voting support agreements entered into with all directors and senior officers of Neo Lithium who hold shares
 - Removes future dilution, commodity, construction, production and execution risk with next phase of 3Q project
- CATL would be the most likely and natural counterbidder however they are digesting the takeover of Millennial Lithium of CAD377 million. Based on that CATL is unlikely going into a second potential bidding war.
- Ganfeng was knocked out from ML by CATL. They are trying to buy decent assets. The asset list Ganfeng own includes Lithium Americas, Arena Minerals, International Lithium, and a host of others.

Disclosures:

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