

# Strategic Metals & Rare Earths Letter

## INTERNATIONAL

*the independent information and advisory publication on investing in Strategic Metals & Rare Earths*

**Special Situation – November 2017**

[www.argentalithiu.com](http://www.argentalithiu.com)



### Argentina Lithium & Energy Corp. (C\$ 0.43)

TSX : LIT  
FSE : OAY1

H+L prices (12 months) : C\$ 0.56 – 0.075

Net issued shares : 62.9 million  
Fully diluted : 73.3 million

Market capitalization : C\$ 27.4 million  
(US\$ 21.5 million)

**12 months price target : C\$0.80**

### Company profile

Argentina Lithium & Energy's ("Argentina Lithium") material mineral property interests are located in Argentina.

Argentina comprises a significant portion of the "Lithium Triangle", which is home to more than half of the world's resources of lithium. Argentina produces approximately 12% of the world's lithium, making it the third largest global producer.

Argentina's new government is encouraging foreign investment and renewable energy initiatives.


Argentina Lithium is a member of the Grosso Group, a resource management team that pioneered the mineral exploration industry in Argentina and has operated there since 1993. The Grosso Group has been following the lithium battery sector and believes it is the time to expand its efforts in lithium resources development in the highly prospective Argentinean portion of the Lithium Triangle.

On October 28, 2017, **Argentina Lithium** entered into an option agreement to acquire a 100% interest in the **Arizaro Lithium Brine Project** located in the Arizaro Salar in the mining-friendly Province of Salta.



The salar is situated in the high plateau (Puna region) of north-western Argentina at an average attitude of 3,600 metres above sea level.

The Arizaro lithium salar covers an area of 1,600 km<sup>2</sup>, making it the third largest salar in Argentina's "Lithium Triangle" after Atacama in Chile and Uyni in Bolivia.




**ARGENTINA  
LITHIUM  
& ENERGY CORP.**

# The Lithium Triangle

- Produces ~1/2 of the world's lithium
- Hosts ~70% of known lithium reserves
- Most lithium is in salt lake ("salar") brines
- Argentina produces approximately 12% of the world's lithium, making it the third largest global producer (2015)
- New Government is encouraging foreign investment and renewable energy initiatives

**THE LITHIUM TRIANGLE**

☆ Arizaro Salar  
△ Argentine Salar  
■ Non-Argentine Salar



Uyuni

Atacama

Olaroz

Cauchari

Rincon

Salinas Grande

Incahuasi

Pocitos

Pastos Grandes

Arizaro

Pozuelos

Tincalayu

Centenario

Marina

Rio Grande

Hombre Muerto

Antofalla

Salina del Fraile

Ratones

Diabillios

Tres Quebradas

Escondida

Arizaro has adequate surface area within the project limits for future processing facilities, including the construction of evaporation ponds in the salar and has known water recharge areas.

The Arizaro Salar is strategically located with respect to infrastructure, which includes a railway that connects to the deep water port of Antofagasta, nearby advanced mining projects that are expected to bring significant development of access routes and power to the area, and the local availability of water to support development.

In 2016, **Argentina Lithium** conducted reconnaissance exploration on the property while applying for permits for success route construction and mechanical exploration.

### ► Exploration program 2017

In 2017, the Company commenced the first detailed exploration work at Arizaro. The work program included both near-surface geochemical sampling and a Vertical Electric Sounding (VES) geophysical survey. The VES survey identified conductive and semi-conductive zones interpreted as geologic units at depth that are saturated with high-density and potential lithium-bearing brines.

Of particular interest are conductive zones which thicken to the north and west towards the centre of the salar here the geophysics suggest a sub-basin is located that may host potentially lithium-bearing brines separate from shallow or at-surface brines.

Based on the results of the VES survey 3-4 initial drill holes reaching depths of up to 400 metres below surface were planned.

## About the Salar de Arizaro



- The salar covers an area of 1600 km<sup>2</sup> within a watershed of 6000 km<sup>2</sup>
  - Third largest in the "Lithium Triangle", after Uyuni (Bolivia) & Atacama (Chile)
  - Largest salar in Argentina
- Hyper-arid <30 mm of rain per year, good for creating evaporative brines.
- Strategic location for infrastructure and logistics
- Prospective for quality lithium brines at depth

On October 10, 2017, **Argentina Lithium** reported that it has identified its first drilling and sub-surface brine sampling program at the Arizaro Project. In addition to planning this program the Company has been active pursuing other projects to add to its portfolio, and is looking forward to completing a second project acquisition in the coming months.

### ► Acquisition of 100% interest in Incahuasi Salarin

On November 6, 2017, **Argentina Lithium** announced that it has acquired a 100% interest in, or has under application, mineral rights totalling 23,700 hectares covering the entire **Incahuasi Salarin and basin** in Catamarca Province. The salar is situated within the "Lithium Triangle" of Argentina and Chile, and has characteristics prospective for lithium brines.

Initial sampling of near surface brines has returned up to 409 gm/lithium, and geophysical surveying indicated the potential for lithium-rich brines at depth.

The Salar de Incahuasi is located in the northwest of Catamarca Province at approximately 3,260 metres above sea level, in the southern half of the "Lithium Triangle". Access to the Incahuasi Salar is by grave road, approximately 34 kilometres southwest from the town of Antofagasta de la Sierra.

The geological environment at Incahuasi is similar to other salars in the Puna region where lithium and potash are found.

The Project currently consists of 13,711 hectares in 7 properties covering 90% of the existing salar surface. These properties are wholly-owned by the Argentina subsidiary of **Argentina Lithium**, with no royalties owned. Applications have been made for approximately 10,000 hectares of additional property, which will complete the coverage of the salar to the south and extend the Company's holdings to cover the entire basin to the north.

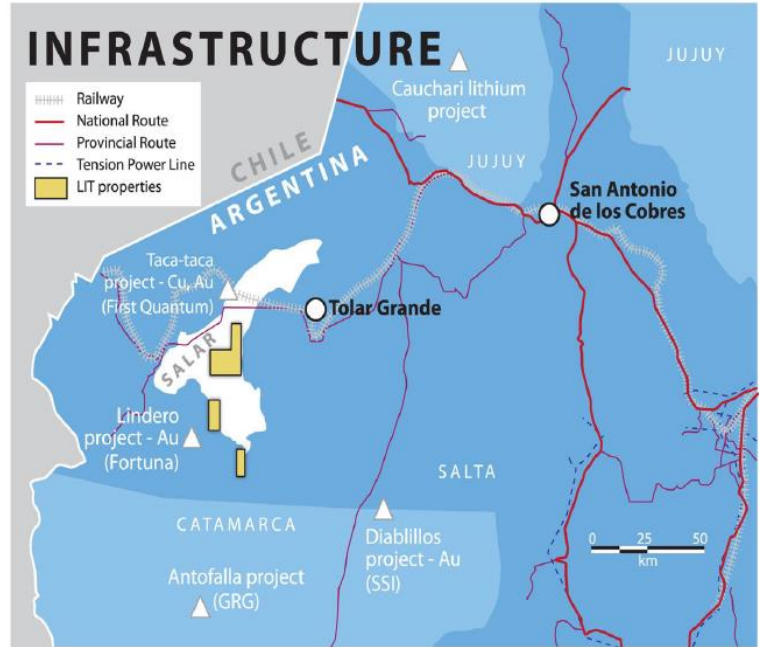
To date, **Argentina Lithium** has completed reconnaissance surface sampling of 52 pits, geological mapping and a geo-electrical survey. A total of 52 samples of brine were collected along 15 kilometres of the long axis of the Salar, covering an area of approximately 2,800 hectares.

The Company is moving forward with a detailed program to identify and quantify sub-surface brines.



## Infrastructure

- Road accessible
- Proximal to power
- Proximal to rail; international access to port of Antofagasta approximately 450 km to west.
- Other mining projects in the area are expected to bring additional infrastructure development in the near future.



## A Solid Foundation for Success

- ✓ **People**  
Best in class management and technical team with proven success in prospect development in Argentina
- ✓ **Location**  
+20k hectares of the largest Salar in Argentina, situated in the middle of the prolific Lithium Triangle
- ✓ **Infrastructure**  
Close proximity to rail, water, roads & power
- ✓ **Jurisdiction**  
Mining friendly Salta province
- ✓ **Blue Sky Potential**  
Potential for high-grade brines at Arizaro and future growth through other acquisitions.

## **Management**

**Nikolaos Cacos, M.I.M., President & CEO, Director**, has two decades of management expertise in the mineral exploration industry. He holds extensive experience in administration and providing strategic planning for public companies. Mr. Cacos serves as director and officer of several publicly traded companies. He holds a Master of International Management degree from Heidelberg, Germany, and a Bachelor of Science degree from the University of British Columbia.

**Darren C. Urquhart, C.A., Chief Financial Officer and Corporate Secretary**, is a Chartered Accountant with more than 10 years of experience working in both public practice and industry. Mr. Urquhart is presently engaged in public practice accounting offering CFO and accounting services to TSX Venture Exchange listed exploration companies in the Vancouver area. He began his career working as an audit accountant with Grant Thornton LLP, then later worked as a senior tax accountant with Lohn Caulder Chartered Accountants and more recently served as a consultant to an international private equity company. Mr. Urquhart obtained his Chartered Accountant designation in 2001 and is a member of the Institute of Chartered Accountants of British Columbia. In 1995, he obtained his B.A.Sc. (Electrical Engineering) from the University of British Columbia.

## **Directors**

**Joseph Grosso, Director, founder and president of Grosso Group Management**, became one of the early pioneers of the mining sector in Argentina in 1993 when mining was opened to foreign investment, and was named Argentina's 'Mining Man of The Year' in 2005. His knowledge of Argentina was instrumental in attracting a premier team which led to the acquisition of key properties in Golden Arrow's portfolio. Mr. Grosso has successfully formed strategic alliances and negotiated with mining industry majors such as Barrick, Teck, Newmont, Viceroy (now Yamana Gold) and Vale S.A., and government officials at all levels. His specialty is financing, negotiations, corporate and marketing strategy, and he was an early and passionate adopter of best practices in environmental protection and socio-economic development through mineral exploration.

**Nicolas Galli, B.A.Sc., Director**, has extensive experience as a founder, partner and general manager of several service companies focused on lithium prospects in the Puna region of Argentina. Mr. Galli has gained valuable experience by contributing to the development and construction of important lithium projects in Argentina including Orocobre, Enirgi, FMC, and others. He holds a Chemical Engineering degree from Buenos Aires University.

**Dr. David A. Terry, PhD, P.Geo., Director**, is a professional economic geologist, senior executive and corporate director with more than 25 years' of international experience in the mineral resources sector. He has played key roles in the successful acquisition, exploration and development of a number of precious and base metal deposits, primarily in North and South America, and has expertise in advanced project evaluation, M&A, corporate finance, and design and execution of effective exploration programs. In addition, Dr. Terry has experience in the exploration and evaluation of lithium and potassium brine projects.

In the course of his career Dr. Terry has held executive positions and directorships with a number of publicly-listed and private mineral resource companies; he currently serves as a director of Golden Arrow Resources, Blue Sky Uranium., Great Bear Resources., and as President and CEO of Comstock Metals Ltd. He has also worked with a number of senior mining companies including Boliden Limited, Westmin Resources, Hemlo Gold Mines., Cominco and Gold Fields Mining.

Dr. Terry holds a B.Sc. and Ph.D. in geology from Western University in Ontario and is a member of the Association of Professional Engineers and Geoscientists of British Columbia.

**Nick DeMare, Director**, a chartered accountant, has been President of Chase Management since 1991, providing accounting, management, securities regulatory compliance and corporate secretarial services to private and public-listed companies. He also serves as an officer and/or director of a number of public-listed companies. Mr. DeMare holds a Bachelor of Commerce degree from the University of British Columbia and is a member of the Institute of Chartered Accountants of British Columbia.

## Finance

Under the terms of the option agreement **Argentina Lithium** may acquire the 100% interest by making cash payments to the vendor totalling US\$ 6 million, incurring exploration activities totalling US\$ 4.2 million over a 4-year period and issuing 2.5 million common shares to be issued within certain resale restrictions



### **Argentina's mining to get boost under free-market reform policy of President Mauricio Macri**

Since taking office in late 2015, President Mauricio Macri has adopted measures to revive the country's mining industry by changing the federal structure, which scared mining investors away for years, as seven of the country's 23 jurisdictions have a full ban on the use of cyanide, based on environmental concerns. One of the first ones was eliminating a 5% tax on mining and energy companies in February last year.

In June 2017, Argentina's federal government and the governors of 20 out of 23 provinces signed a long-awaited mining deal that harmonizes taxes and regulations, in a move aimed at jump-starting investment in the sector. The agreement, which still needs approval from Congress, sets a 3% ceiling on royalties mining companies pay to provinces. A second provincial tax, capped at 1.5%, will be allocated to fund mining infrastructure.

With the new agreement, President Macri will create about 125,000 new mining jobs across the country. It is also expected to boost foreign investment in the sector to \$ 25 billion by 2025, on top of the \$ 3 billion already confirmed for the 2017-18 period.

President Macri also revoked a prohibition on foreign mining companies sending profits made in Argentina out of the country.

#### **Investment comments:**

Argentina's government is encouraging foreign investment and renewable energy initiatives. The combination of high geological potential and a promising investment climate have set the conditions last year for delineating and advancing new lithium resources in Argentina.

The "**Lithium Triangle**", including parts of the high plateau Puna region located in north-western Argentina, produces about half of the world's lithium and hosts approximately 70% of the known lithium reserves.

Argentina produces approximately 12% of the world's lithium, making it the third largest producer, next to Chile and Bolivia.

**Argentina Lithium's Arizaro Lithium Brine Project**, located in the Province of Salta, is the largest in Argentina, and puts the Company in an outstanding position to benefit from the electric vehicle revolution, which will result in a booming demand for lithium-ion batteries.

In addition, considering the Company's strategy to further expand its lithium holdings, led by the Grosso Group that pioneered in the mineral industry in Argentina and has operated there since 1993, in my view, **Argentina Lithium**, at a market capitalization of around C\$ 27 million, offers a high investment leverage potential.

My 12 months price target is C\$ 0.70.



# Lithium: The Green Revolution

**2001**

Many years ago, lithium was used in a variety of industrial purposes.

## LITHIUM GLOBAL MARKET

Non-Battery // Battery



Global Market  
70,000 tonnes LCE

## TOP USES

- Ceramics / Glass
- Aluminum production
- Catalyst for rubber production
- Lubricants
- Batteries

**2015**

Today, the major use by far is batteries.



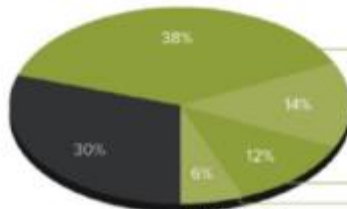
Global Market  
163,000 tonnes LCE

- Batteries
- Ceramics / Glass
- Lubricants
- Medical
- Other Non-Battery

And in the future?

**2025**

The battery market alone will be almost 2x bigger than the entire lithium market today.



Global Market  
534,000 tonnes LCE

- Electric Vehicles
- Non-Battery
- E-Bikes
- Traditional Battery
- Energy Storage

*“Argentina’s lithium carbonate production will triple by 2019...”*

- Argentinian government official to Reuters<sup>1</sup>