



September 5, 2017 - Battery Re-charge; TURN UP THE VOLUME

I returned last night from 10 days in Europe having experienced unusually warm and sunny blue skies in London and a predictably seasonal warm Mediterranean sea of green in Mallorca, Spain. Both corresponded well with the colors on my (too frequently checked) Stock Watchlist, and upbeat Tweets from those ninjas, sherpas and other lithium commentators I follow.

NEWS FLASH: Follow Lithium-ion Bull on Twitter:

<https://twitter.com/HowardKlein10>

Hurricane Harvey and Mushroom Cloud Kim Jong-un, notwithstanding, last month's bullish contrast to so many previous Augusts' gathering financial storms - the seeds of the GFC were apparent this time 10 years ago - offered a personal battery re-charge unlike any I've experienced in recent years.

Note to those institutions slow to make open market purchases in certain lithium stocks that trade less than \$1 M/day and prefer to wait for financing events to initiate positions: consider the truism that liquidity is simply a function of price. And following Better Bid July, we have had a further Turn Up the Volume August.

Monthly Total and Average Daily Volume in August (in AUD/CAD)

Date	MIN	GXY	ORE	PLS	AGY	AVZ	LAC	KDR
8/3/17	\$ 15,860,683	\$ 11,290,568	\$ 2,392,809	\$ 1,907,169	\$ 43,593	\$ 6,930,009	\$ 2,864,900	\$ 818,997
8/4/17	\$ 13,312,851	\$ 7,667,570	\$ 1,598,572	\$ 3,114,207	\$ 76,412	\$ -	\$ 947,600	\$ 723,823
8/8/17	\$ 18,005,879	\$ 4,700,356	\$ 1,406,301	\$ 1,483,598	\$ 50,185	\$ -	\$ 1,229,100	\$ 826,476
8/9/17	\$ 22,477,516	\$ 3,950,424	\$ 2,246,813	\$ 3,042,060	\$ 24,577	\$ -	\$ 1,121,000	\$ 2,260,449
8/10/17	\$ 21,665,827	\$ 4,282,580	\$ 3,155,709	\$ 1,393,055	\$ 20,643	\$ 7,267,646	\$ 2,873,200	\$ 1,700,605
8/11/17	\$ 23,007,665	\$ 4,967,310	\$ 1,932,574	\$ 2,005,873	\$ 228,109	\$ 3,277,518	\$ 706,700	\$ 651,998
8/14/17	\$ 11,349,927	\$ 4,514,354	\$ 1,643,064	\$ 649,973	\$ 654,531	\$ 1,137,420	\$ 697,300	\$ 349,236
8/15/17	\$ 19,000,956	\$ 4,414,264	\$ 2,067,441	\$ 1,451,684	\$ 101,361	\$ 4,195,118	\$ 433,900	\$ 531,528
8/16/17	\$ 27,873,543	\$ 4,940,212	\$ 2,007,541	\$ 2,517,854	\$ -	\$ 6,173,250	\$ 547,100	\$ 1,954,393
8/17/17	\$ 35,452,822	\$ 4,981,902	\$ 3,353,407	\$ 701,167	\$ 4,218,735	\$ 5,117,593	\$ 400,900	\$ 1,833,574
8/18/17	\$ 27,653,451	\$ 2,919,330	\$ 2,939,738	\$ 1,156,550	\$ 3,033,435	\$ 3,228,874	\$ 755,100	\$ 1,027,199
8/21/17	\$ 25,685,282	\$ 6,379,977	\$ 3,525,616	\$ 1,514,484	\$ 1,015,771	\$ 4,903,042	\$ 440,900	\$ 731,613
8/22/17	\$ 20,733,347	\$ 7,971,175	\$ 1,846,417	\$ 1,128,095	\$ 519,075	\$ 11,658,306	\$ 245,600	\$ 871,884
8/23/17	\$ 27,796,170	\$ 5,675,909	\$ 2,200,019	\$ 1,420,977	\$ 2,135,394	\$ 9,614,422	\$ 258,000	\$ 684,174
8/24/17	\$ 9,209,930	\$ 5,689,094	\$ 1,974,374	\$ 701,651	\$ 2,122,304	\$ 2,116,714	\$ 330,300	\$ 2,407,886
8/25/17	\$ 13,288,542	\$ 6,211,268	\$ 2,028,298	\$ 1,060,460	\$ 1,141,857	\$ 3,059,323	\$ 411,900	\$ 939,231
8/28/17	\$ 12,081,908	\$ 3,308,080	\$ 1,524,078	\$ 2,417,523	\$ 3,014,522	\$ 4,548,952	\$ 684,300	\$ 1,229,052
8/29/17	\$ 18,067,067	\$ 3,444,443	\$ 2,894,973	\$ 2,164,414	\$ 1,581,800	\$ 2,613,173	\$ 920,600	\$ 1,002,343
8/30/17	\$ 17,927,232	\$ 4,203,079	\$ 6,226,366	\$ 2,249,482	\$ 973,701	\$ 1,227,345	\$ 1,515,400	\$ 539,447
8/31/17	\$ 24,684,327	\$ 9,867,337	\$ 12,224,207	\$ 1,965,108	\$ 1,167,488	\$ 3,839,832	\$ 4,431,700	\$ 1,883,911
9/1/17	\$ 14,313,840	\$ 14,993,333	\$ 9,832,473	\$ 3,831,918	\$ 614,257	\$ 2,092,981	\$ 986,400	\$ 1,874,142
Monthly Total	\$ 419,448,763	\$ 126,372,564	\$ 69,020,793	\$ 37,877,301	\$ 22,737,750	\$ 83,001,516	\$ 22,801,900	\$ 24,841,959
Average Daily	\$ 19,973,751	\$ 6,017,741	\$ 3,286,704	\$ 1,803,681	\$ 1,082,750	\$ 3,952,453	\$ 1,085,805	\$ 1,182,950



Aligning Stars...

Lithium earnings season, further upticks in lithium prices and demand forecasts, clarity from China that outbound investments in key sectors like lithium will be ENCOURAGED, while curtailing frivolous ones like sports teams, Hollywood or trophy real estate, seems to have catalyzed an over-due re-rating in several Emerging Producers. Solid execution, strategic partnerships and full financial funding is being rewarded, as is quarterly cash flow. Meanwhile, appetite for “the next big thing” is strong. FOMO - Fear of Missing Out - is becoming more widespread.

...And Star Alliance...

as Mr. Lithium presciently posted, referencing, in particular SQM, LAC, KDR and Ganfeng

<https://www.linkedin.com/pulse/lithium-star-alliance-joe-lowry>

Clean TeQ made two notable announcements last week, with a 5-year, 20% off-take for cobalt and nickel sulphate from Syerston and on-going discussions about equity investment and strategic partnership...

<http://clients3.weblink.com.au/pdf/CLQ/01890628.pdf>

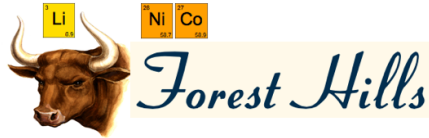
...And, with now AUD 560M market cap, CLQ will be joining Sept 18 the select grouping of companies that comprise the S&P/ASX 300 Index, alongside lithium plays MIN, ORE, GXY and PLS.

<http://clients3.weblink.com.au/pdf/CLQ/01891595.pdf>



Lithium Equity Scoreboard, September 1, 2017

Pricing as at end of trading day, Sept 1, 2017												
Big 5 Producers	Exchange	Mkt Cap (M	Share				ASX	TSX	Asia	AIM	USA	
		USD)	Price	YTD	1m	5d						
Albemarle	NYSE	\$ 13,110	\$ 119	38%	-1%	3%	NA	NA	\$ 20,481	NA	\$ 14,488	
SQM	NYSE	\$ 11,810	\$ 48	68%	16%	0%						
FMC	NYSE	\$ 10,240	\$ 76	54%	4%	4%						
Tianqi Lithium Industries	SHE	\$ 10,241	\$ 71	119%	3%	10%						
Ganfeng	SHE	\$ 8,472	\$ 80	203%	18%	9%						
Big 5 Producers Investable Market Cap		\$ 33,378	(adjusted for ALB, SQM, FMC lithium biz)									
Emerging Producers							ASX	TSX	Asia	AIM	USA	
Mineral Resources	ASX	\$ 2,248	\$ 15.0	24%	17%	0%	\$ 2,793	\$ 848	NA	\$ 140	NA	
Orocobre	ASX	\$ 660	\$ 3.92	-14%	21%	19%						
Galaxy	ASX	\$ 646	\$ 2.04	-22%	9%	15%						
Pilbara Minerals	ASX	\$ 480	\$ 0.39	-23%	3%	3%						
Altura Mining	ASX	\$ 213	\$ 0.17	22%	0%	0%						
Neometals	ASX	\$ 120	\$ 0.28	-18%	-4%	-4%						
Lithium Americas	TSX	\$ 457	\$ 1.29	61%	27%	19%						
Nemaska	TSX	\$ 391	\$ 1.28	3%	6%	9%						
Bacanora	AIM	\$ 140	\$ 0.84	30%	-7%	-2%						
Emerging Producers Investable Market Cap		\$ 3,781	(adjusted for MIN's lithium biz)									
Development & Exploration							ASX	TSX	Asia	AIM	USA	
Global Geosciences	ASX	\$ 206	\$ 0.23	263%	18%	-2%	\$ 914	\$ 874	\$ 89	\$ 44	NA	
Kidman Resources	ASX	\$ 196	\$ 0.74	25%	31%	13%						
AVZ Minerals	ASX	\$ 181	\$ 0.14	864%	73%	8%						
Argosy Minerals	ASX	\$ 93	\$ 0.15	400%	84%	0%						
Tawana Resources	ASX	\$ 78	\$ 0.22	87%	-4%	2%						
Birimian Ltd	ASX	\$ 51	\$ 0.33	-2%	44%	25%						
Lithium Power International	ASX	\$ 43	\$ 0.37	30%	25%	9%						
Piedmont Lithium	ASX	\$ 37	\$ 10.20	46%	-11%	6%						
Lithium Australia	ASX	\$ 30	\$ 0.10	-10%	76%							
Alliance Minerals Asset Ltd	SGX	\$ 89	\$ 0.25	169%	-18%	-4%						
Critical Elements	TSX-V	\$ 185	\$ 1.53	200%	28%	-10%						
Lithium X	TSX-V	\$ 141	\$ 2.04	-9%	-1%	-3%						
Wealth Minerals	TSX-V	\$ 129	\$ 1.75	40%	2%	-5%						
LSC Lithium	TSX-V	\$ 116	\$ 1.19	-8%	-2%	0%						
NeoLithium	TSX-V	\$ 65	\$ 0.89	-17%	-8%	-6%						
Standard Lithium	TSX-V	\$ 53	\$ 1.09	98%	15%	7%						
Millennial Lithium	TSX-V	\$ 46	\$ 1.27	-10%	-5%	-6%						
Advantage Lithium	TSX-V	\$ 46	\$ 0.42	-57%	-8%	5%						
Frontier Lithium	TSX-V	\$ 38	\$ 0.35	33%	8%	-1%						
Pure Energy	TSX-V	\$ 29	\$ 0.54	-5%	-4%	4%						
Avalon Advanced Materials	TSX-V	\$ 27	\$ 0.14	-3%	4%	8%						
European Metals Holdings	AIM	\$ 44	\$ 0.76	25%	-6%	-1%						
Development & Exploration Investable Market Cap		\$ 1,921										
Total Investable Market Cap		\$ 39,080										



To help make greater sense of the investable lithium equity landscape, I've modified a bit the layout of the above in the following ways:

- Combined the Advanced Developers and Explorers into one grouping, so there are now three, rather than four:
 - Big 5 Producers;
 - Emerging Producers; and
 - Developers & Explorers
- Sorted each grouping by the stock markets on which they trade
- Summed the investable market caps for each of the three groupings as well as the 5 geographies on which they trade (ASX, TSX, Asia, USA, AIM)

Observations:

The total public equity Lithium Investable Market Cap is about \$39B. About 67% the value of TSLA.

The Big 5 account for ~85% of this, or \$33B. More than 50% are the Big 2 Shenzhen pure-plays, Tianqi and Ganfeng, while imperfect lithium proxies SQM (60%), ALB (50%) and FMC (10%) comprise USA-listed activity.

USA-listed stocks are completely absent (save for OTC cross-listings) among the 9 Emerging Producers and 22 Development & Exploration names that have crossed at least USD 25M market cap threshold and reached my radar.

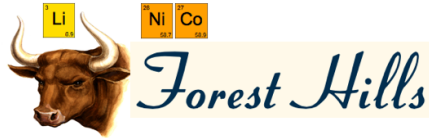
Among the 9 Emerging Producers which in aggregate comprise \$3.7B of investable market cap, ASX is dominant with 6 names commanding 75%. The 22 Development & Exploration names are about equally split between ASX and TSX. AIM has only 2 investable names.

August Trading Highlights

Star Alliance members **Ganfeng** and **SQM** stood out among the Big 5, with ALB noticeably tepid, after a meaningful drop post earnings on very high volume (more than USD 600M trading value, and more than 6% of its stock turned over on August 8 earnings day).

Similarly, TSX activity was largely focused on Star Alliance **Lithium Americas**, among the Emerging Producers, while **Critical Elements** has quietly and quite substantially rallied on small-ish volumes to USD 185M market cap – not sure why.

There was far more action, as usual, on the ASX. **Galaxy** and **Orocobre** jumped following earnings reports and continued strong lithium pricing. **Kidman** regained its composure as the seriousness of SQM has begun to sink in, while **Global Geosciences** continues to defy gravity. I'm admittedly a moron about boron, but when I connect dots from ORE's borax impairment to Rio's Jadar aspirations to long Nevada permitting times, I scratch my head that the GSC ticker is listed first among the Developers & Explorers. Were Lithium Americas' **Lithium Nevada Project** to sport a similar valuation to GSC, it would add ~40 cents more to LAC, compared to the zero value Mr. Market currently offers.



More analysis on these and other names in the near future, but I note in passing **Alliance Minerals** began trading again after a nearly one-month suspension and is down 18% for the month on materially lower volume; recent half-yearly announcement from its partner **Burwill** raise more questions about their hard-to-believe lithium strategy than provide answers.

http://burwill.todayir.com/attachment/2017082918170100002904242_en.pdf

Tawana? I don't wana.

Birimian also ended a nearly 9-month suspension with better fortunes and strong rally in its first two days – will dig into this one at some point, but I'm not particularly attracted to any African lithium plays.

Which brings me to **DRC-focused AVZ Minerals**, one of two ASX-listed speculations that have risen spectacularly on volume on the back of a not insignificant investment from a Chinese partner. Beneficiaries of China's ENCOURAGED, open wallet policy?

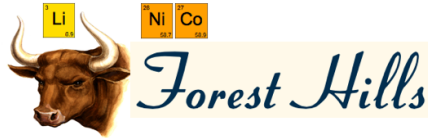
DRC-focused AVZ Minerals describes itself as the Escondida of Lithium – really? just like a copper mine in Chile's Atacama? Guinea's beleaguered Simandou iron ore project seems a more appropriate analogy for a spodumene concentrate project deep inland in central Africa.

Huayou (who are you?) cut a deal for a 20% stake (10% stock + 10% options) in AVZ at 8.5 cents, equivalent to AUD 130M pre-money valuation after seeing results from one (admittedly gorgeous) drill hole in the severely paved-roads-challenged, rail-line challenged, electricity-challenged, spodumene-processing-skills-challenged African country, prone to tribal war, Ebola, and, of course, conflict minerals.

One entity knows Huayou quite well – Amnesty International -- and described the company as follows in a 2016 report entitled:

“THIS IS WHAT WE DIE FOR
HUMAN RIGHTS ABUSES IN THE DRC POWER THE GLOBAL TRADE IN COBALT”

"In summary, Huayou Cobalt is failing to respect international human rights as required by the UN Guiding Principles and it is not implementing the five-step framework recommended in the OECD Guidance, despite the fact that the OECD Guidance has been recognised by the Chinese Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters as the "recognised international framework" to conduct mineral supply chain due diligence. For all the reasons stated above, there is a high risk that Huayou Cobalt is buying (and subsequently selling) cobalt from artisanal mines in which children are engaged in hazardous labour, one of the worst forms of child labour, and where adult workers work in unsafe and hazardous conditions."



AVZ shareholders have exposure to only 60% of its principal project Manono. At current price of 13 cents, the see-through value to 100% of Manono is USD 378M on a fully diluted basis:

AVZ (60% Manono Interest)	
Shares	1,470
Performance Rights	335
Huayou Shares	186
Huayou options	186
Finders Fee	6
Fully Diluted	2,183
Price	\$0.130
Market Cap (AUD)	\$ 284
Market Cap (USD)	\$ 227
Manono - 100%-equivalent	\$ 378

For comparison, fully funded, in construction **Altura** has ~USD 345M Enterprise Value and Kidman's deal with SQM, which essentially fully funds 2019 Mt. Holland/Earl Grey spodumene concentrate, values the project at ~USD 330M for 100%-equivalent Enterprise Value.

DRC seems to be a significant part of China's mercantilist, er, "Belt and Road" strategy.

"Mercantilism was a type of national economic policy designed to maximize the trade of a nation and especially to maximize the accumulation of gold and silver. It was dominant in modernized parts of Europe from the 16th to the 18th centuries.^[1] It promoted governmental regulation of a nation's economy for the purpose of augmenting state power at the expense of rival national powers." -- Wikipedia

So it is entirely possible that Huayou or some other Chinese state-directed entities, frustrated in attempts to control lithium supply in other jurisdictions, will seek to colonize Manono – which I have little doubt will define a large resource. I suspect China would have to renew its zero-cost-of-capital mentality, buy AVZ and build all associated infrastructure to haul \$500-900 spod con 1400 miles before shipping to China. At this early juncture, I would affix only a 33% probability to such an outcome. The probability that AVZ attracts meaningful institutional investor interest in traditional investment centers is far, far lower.

I'm calling **Red Bull on AVZ** – overbought on too much caffeine. Much better risk/reward with higher probability projects in familiar jurisdictions, trading at lower valuations.

I've been watching **Argosy Minerals** all year, a second ASX name that's jumped 3-4X in value in recent months on good volume and also scored a not insignificant Chinese investment. I'm a big fan of Argentina. I'm reserving judgment and intrigued to learn more about this one.

That Chinese investors are this far down the food chain is yet another reflection of the very real tightness in lithium markets, and paranoia about lithium supply in China.



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