

# Strategic Metals & Rare Earths Letter

## INTERNATIONAL

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

**Special Situation – September 2018 Update**

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



### Argentina Lithium & Energy Corp. (C\$ 0.07)

TSX : LIT  
FSE : OAY1

H+L prices (12 months) : C\$ 0.060 – 0.065

Net issued shares : 76.3 million  
Fully diluted : 103.4 million

Market capitalization : C\$ 5.3 million  
(US\$ 3.5 million)

**2019 price target : C\$ 0.50**

#### Company profile

**Argentina Lithium & Energy's** ("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 Company holds or has under option over 13,000 hectares.

On August 24, 2018, **Argentina Lithium** provided an update on its recent lithium brine exploration programs at its three projects: **Antofalla**, **Arizaro** and **Incahuasi**. The projects are located in the **Lithium Triangle** in **Argentina** and have the potential for discovery of lithium brine resources.

On September 21, 2018, **Argentina Lithium** announced that the Company will not be proceeding with the option agreement on the **Arizaro Lithium Project** due to its high risk and not suitable potential reward for this project.

**Argentina Lithium** also advised that its new strategy includes the filing of a consolidation of its issued and outstanding shares of the basis of one post-consolidation common share for every 4 pre-consolidation shares in order to bolster the Company's ability to conclude new project acquisitions at more realistic valuations. The consolidation will reduce the issued and outstanding shares of the Company from 76.29 million to 19.07 million common shares.



- 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 ~16% of the world's lithium: 3<sup>rd</sup> largest global producer (2017)
- Argentine government is encouraging foreign investment and renewable energy initiatives



## Overview of Projects

### ► Antofalla Norte Project

**Argentina Lithium** has applied for 100% interest in approximately 9,000 hectares of mining claims in the north end of the **Salar de Antofalla** and entered into an option agreement to earn a 100% interest in three additional properties totalling over 5,300 hectares. The Salar de Antofalla is approximately 150 kilometres long and 5-7 kilometres wide and is located at 3,900 metres elevation.

The salar is accessed by Provincial Highway 43 and unpaved roads, with the small town of Antofalla approximately 50 kilometres to the south and the city of Salar approximately 500 kilometres away.

The geological environment at the **Salar de Antofalla** is similar to other salar in the Puña region where lithium and potash are found. Several other companies are exploring properties on the salar, including global lithium producer Albemarle.

On August 24, 2018, **Argentina Lithium** received results from the recently completed CSAMT deep geophysical survey on the **Antofalla North Lithium Project** and has identified four initial drill targets with the potential for discovery of lithium-bearing brines.

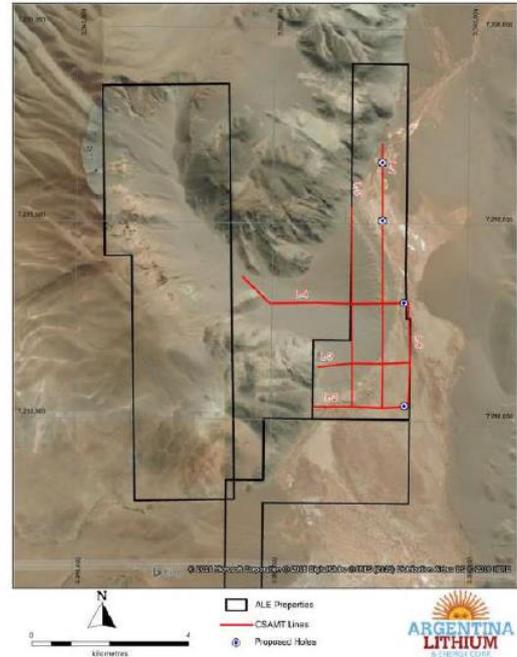
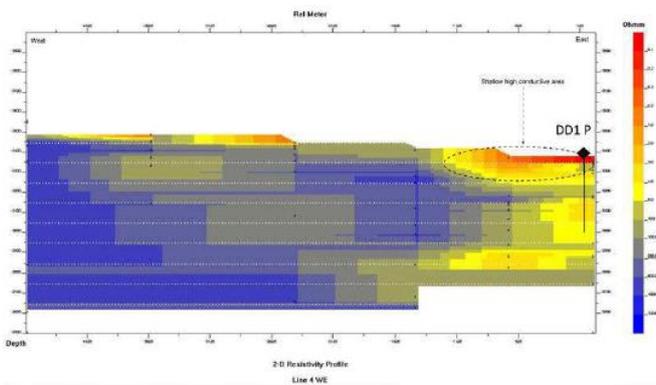
Several other companies are exploring properties on the Antofalla salar, including global lithium producer **Albemarle**. Previous operations of the Albemarle property delineated lithium in brines which Albemarle believes will be certified as the largest lithium resource in Argentina.

Reported grades from the salar include 350 mg/l lithium and 6,400 .g/l potash.

The CSAMT geophysical survey was conducted on the northern part of the Property. The survey consisted of East-West lines and three North-South lines, ranging from 2.4 to 6.8 kilometres in length and totalling 23.8 kilometres, with a total of 16 soundings.

Four drill holes are recommended by the consulting geophysicists to test for lithium-bearing brines. **Argentina Lithium** is planning a potential drill program for the Argentina spring season.

- CSAMT geophysical survey completed to delineate drill targets
- 3 E-W lines & 3 N-S lines totaling 23.8km
- High-conductivity targets identified in upper 100 m, additional targets at depth



## ► Incahuasi Brine Project

The **Incahuasi Brine Project** includes 100% interest in 25,500 hectares covering the entire Salar de Incahuasi in the northwest of **Catamarca province** in the southern half of the **Lithium Triangle**. Access to the Incahuasi salar is by gravel road, approximately 34 kilometres southwest from the town of Antofagasta de la Sierra. The geological environment of **Incahuasi** is similar to other salars in the **Puñá region**, where lithium and potash are found.

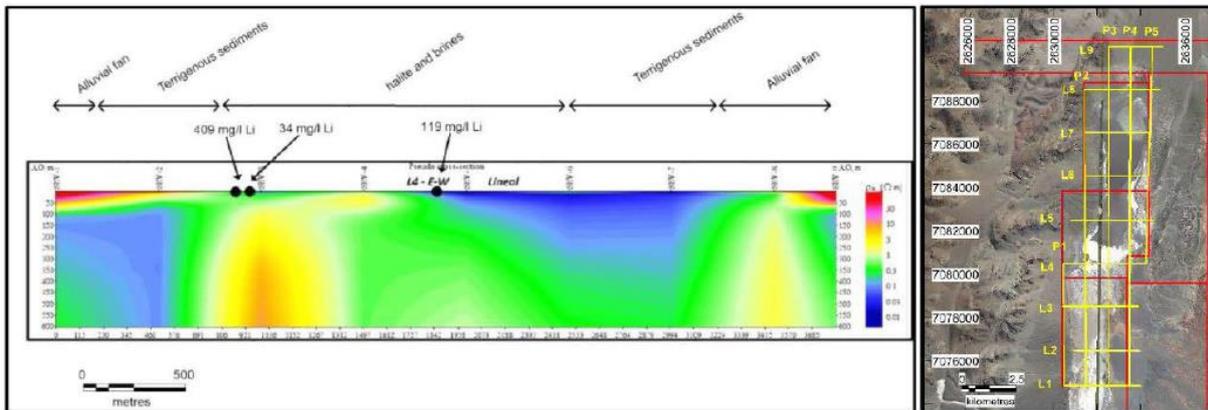
On August 24, 2018, **Argentina Lithium** also announced that it had completed its initial drilling program at the **Incahuasi** salar. The program included four vertical diamond drill holes totalling 878 metres. The holes were located based on the results of a Vertical Electrical Geophysical Survey (VES) long 12 kilometres parallel at the long axis of the Salar. Halite and deeper clastic sediments were cored in all holes. Within valued from the brine samples were modest but fairly consistent, averaging 109 mg/l for all 54 samples collected and analysed.

**Argentina Lithium** is continuing to evaluate the data obtained to date from the geophysical surface sampling and drilling programs to enhance its understanding of the hydro geological aspects of the **Incahuasi** salar in order to focus future work on identifying sub-domains with higher lithium grades.



## Salar de Incahuasi VES Geophysical Survey

- 69 vertical electric soundings (VES) taken on 9 lines
- Potentially significant brine aquifers: extremely low resistivity, corresponding to extremely high conductivity starting at surface and extending to 200 metres deep
- Some high conductivity zones (in blue) were detected below the present surface sediments indicating potential for brines at depth



### Argentina's mining to get boost under free-market reform policy of President Mauricio Macri with the financial help of IMF

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.

## **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 worked as a senior tax accountant with Lohn Caulder Chartered Accountants and more recently served as a consultant to an international private equity company.

**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. He has also worked with a number of senior mining companies including Boliden, Westmin Resources, Hemlo Gold Mines, Cominco and Gold Fields Mining.

**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.

## 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 Salte, 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 depressed market capitalization of around C\$ 5.3 million, to be accounted for by the country's current economic turmoil, but expected to get a boost under its free-market reform policy, offers a high investment leverage potential.

Due to **Argentina's** current economic and financial problems, which also hurts its mining industry, but expected to be solved next year with the financial help of IMF, considering **Argentina Lithium's** overstated depressed market valuation, I expect the Company's share price to multiply in the course of next year and have set my 2019 price target at C\$ 0.50.

