

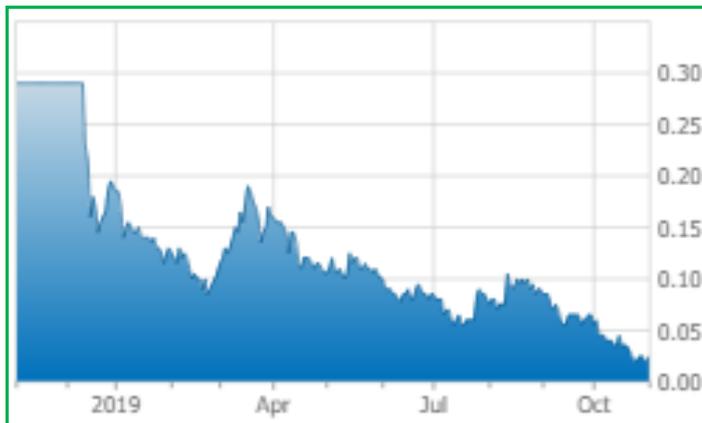
# Strategic Metals & Rare Earths Letter

## INTERNATIONAL

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

Investment Alert – November 5, 2019

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



### CellCube Energy Storage (C\$ 0.025)

CSE : CUBE  
OTCQB : CECBF  
Frankfurt : 01X

H + L prices (12 months) : C\$ 0.26 – 0.015

Net shares issued : 185.57 million  
Fully diluted shares : 249.95 million

Market Capitalization : C\$ 4.6 million  
(US\$ 3.5 million)

## INVESTMENT ALERT

### ► CellCube Energy Storage System reviewing strategic alternatives to cope with challenging vanadium climate

On October 22, 2019, **CellCube Energy Storage Systems** (“**CellCube**”), a company focused on the energy storage industry, provided a corporate update with respect to its three wholly-owned subsidiaries, **Enerox Gmb**, **EnerCube Switchgear Systems** (“**EnerCube**”) and **V23 Resources** (“**V23**”).

► **Enerox GmbH** is the developer and manufacturer of CellCube energy storage systems based on its proprietary vanadium radox technology that has close to 140 project installations and a 12-year operational track record. Over the past year **Enerox** launched the Generation 4 product series. The most advanced (“**VRFB**”) on the market today as stated by independent industry experts. Product interest for its newest generation remains to be very strong. The Company is nearing several large-scale contracts which will be executed once production capacity can be planned to adequate levels.

**Enerox** has continuously been executing deliveries of the last year sales over the summer and is now engaging to finalize its first major sales based on its strategic change last year. Albeit a slower than expected deal flow in the summer, the Company experiences an unbroken stream of product interest in the grid scale energy storage market globally, with US, EMA and APEC regions leading the desired deployment hot spots.

To assist in the sale of the Generation 4 product series, **Enerox** has a large reinsurer, Munich Re, to back stop the performance of the systems for projects during its long system life and is hence able to de-risk the technology in major projects. This adds another, bankability qualification to the Company's viability for energy storage commercial deployment readiness. The market for large scale, long duration energy storage is finally here and **Enerox** believes it has the right product line-up to capitalize on the coming energy storage revolution. It has taken a lot of time and capital to get to a position that **Enerox** is at today, but until the Company can produce and execute projects with a consistent number of units, , the Company will continue to be in a monthly working capital deficit position.

► **EnerCube Switchgear Systems ("Enercube")** is a leading-edge provider of custom engineered electrical equipment and systems. The Company has been providing innovative and high-quality products for over 5 years to heavy power users, pipeline companies, refineries, manufacturers, municipalities and infrastructure providers. It offers "one top shop" to its customers in terms of complete turn-key engineered electrical solutions. The Company's key products include Switchgear, Motor Control Centers and **Vanadium Redox Flow Batteries** (manufacturing and installations).

**Enercube** designs, manufactures, assembles, integrates and tests a complete range of industry leading, innovative and dependable power control systems and accessories. The Company is experiencing growth and continues to win new contracts, but requires an injection of working capital to survive and take advantage of new business opportunities within North America.

► **PowerHaz Energy Mobile Solutions ("PowerHaz")**, a subsidiary of **Enercube**, provides specialized, temporary power devices. The Company's core business is temporary mobile power for harsh and hazardous locations such as petrochemical plants, refineries and oil and gas facilities in Western Canada. Additionally, **PowerHaz** manufactures hazardous area panels for a large US-based multinational corporation. Also, in order to support **Enercube** in the fast-paced renewable space **PowerHaz** has designed a Solar Combiner box, which will be included in **Energy Storage Solutions Enercube** can offer its clients.

### ► **V23 Resources Corp**

As previously disclosed, the spin-out of **V23** has been terminated. The vanadium market has been volatile over the past year, reaching spot prices in excess of \$ 25/lb to current levels close to \$ 10/lb. **CellCube** continues to maintain the claims in good standing, but until capital is available to advance the properties, no further work will be performed and the vanadium will remain in the ground.

Although the underlying business units of **CellCube** are well positioned to take advantage of growth in their respective industries, each division is suffering from a lack of working capital. In addition, the Company does not have the necessary working capital to pay for its corporate overhead and is continuing to work on initiatives to reduce corporate liabilities and operational cash burn.

### ► **Financial status**

**CellCube** has tried to raise the necessary capital to fund the advancement of all its subsidiaries and corporate overhead, but to date has not been able to raise the necessary capital. At the direction of its Board of Directors, the Company is reviewing strategic alternatives focused on maximizing shareholder value.

The strategic alternatives expected to be considered included, but are not limited to a sale or merger of the Company, continuing to pursue value-enhancing initiatives as a standalone company, capital structure changes, or the sale or other disposition of certain of the Company's businesses or assets.

The first of such initiatives was announced on October 22, 2019 with the proposed transaction between Pwdro Resources and **Enercube**. Completion of the transaction will provide **CellCube** with some cash with retaining a minority interest in a re-capitalized **Enercube**.

**CellCube** is currently in negotiations with other parties with respect to both **Enerox GmbH** and **V23 Resources**. There can be no assurance that this process will result in the approval or completion of any strategic alternative or transaction in the future.

## ► Management changes

**Stefan Schauss** has resigned as CEO of **CellCube Energy Storage Systems** effective October 15, 2019. Mr. Schauss will remain President and CEO of **Enerix GmbH**. In the interim, the Board of Directors has appointed Brett A. Whalen, the current Chairman of the Board, as Interim CEO.

### Investment comments:

**CellCube's** mission is to be a fully integrated producer of **Vanadium, Vanadium electrolytes and Vanadium redox inflow batteries** for the **energy storage systems**.

Until recently, storage of electricity for a later date was largely limited to small electrical-chemical batteries, lead acid nickel-cadmium. Current consumer technology is dependent upon batteries for cell phones, laptop computers, electric cars.

Individually, these require relatively small amounts of energy storage. Now it is possible to store vast quantities of electricity that can be used at a later time.

As a potentially leading supplier of **Vanadium Redox Flow Batteries**, **CellCube's** original 3-year projection for a \$ 300 million energy storage business, has been interfered by the fall of the vanadium price, as a result of which the Company has been faced with unforeseen problems to raise the necessary capital to fund its advancement.

**CellCube** will provide an update on its reviewed strategic alternatives in January 2020, at which time I will review the investment merits of the Company.