

Opportunities and Potential in Chilean Lithium (LITH, ALB, SQM, LAC)

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Lithium's crucial role in battery technology, which is quickly gaining importance across numerous industries, has been a major factor in the sector's impressive growth in recent years. As a result, the lithium market has been heating up and attracting significant attention. This surge in interest has transformed the sector into a hotbed of acquisition activity.

Some recent activity includes:

- August 2021: Bacanora Lithium agreed to cash offer of £284.8m from Ganfeng Lithium
- September 2021: Sibanya Stillwater buy half of Loneer's lithium project in US\$490m deal
- November 2021: In a bidding war, Lithium America acquired Millennial Lithium for \$4.70/share
- December 2021: Rio Tinto buys Argentina lithium mine for \$825m from private equity buyers
- January 2022: Neo Lithium completes acquisition with Chinese state-owned firm, Zijin Mining -Group LTD \$6.50/share
- May 2022: Chengxin Lithium Group invested over \$34m into Lithium Chile Inc.
- August 2022: China's Ganfeng Lithium offers \$962m to buy Lithea Inc - Assets in Salta Province
- December 2022: Lithium America acquires Arena Minerals for US\$227 million.

One company that could potentially be the next acquisition that investors should pay close attention to is **Lithium Chile Inc. (TSXV:LITH) (OTC:LTMCF)**.

Lithium Chile is a junior mining company focused on advancing its extensive lithium property portfolio in Chile and Argentina. The company holds a total of 111,978 hectares in Chile and 20,800 hectares in Argentina, making it one of the largest landholders in the junior mining sector.

Acquisition Potential

In March, Lithium Chile announced it had attracted attention from an arm's-length third party expressing interest in the potential acquisition of certain South American assets. This expression of interest follows heightened market activity in Lithium Chile's shares. It is important to note that while Lithium Chile Inc. has not yet entered into any binding agreements or documents, the company is clearly getting noticed. Let's take a closer look at why.

LITH Properties

To start, when looking at junior mining companies, it's about the land and the quality and size of the land, and LITH has both. For example, one of the key projects in LITH's portfolio is the Salar de Arizaro project in Argentina, which has a reported indicated and inferred resource of 2,587,000 metric tons of lithium carbonate equivalent, according to a NI 43-101 report.

Last month, it was announced that Lithium Chile had finished drilling three more holes for its Salar de Arizaro development program. The fourth and fifth diamond drill holes, ARDDH-04 and ARDDH-05, encountered favorable lithium-bearing brine strata, and sampling and drilling activities are ongoing. The company also completed its third production well, ARGENTO-03, which established brine mineralization potential at depths of 350 to 470 meters.

Additionally, Lithium Chile has acquired its own downhole pump and generator to enhance its operations in the Salar de Arizaro. The company is focused on unlocking significant value from the project and plans to release an updated 43-101 report incorporating the latest drilling data and a planned preliminary economic assessment (PEA) in early summer.

In addition to its lithium assets, Lithium Chile also owns five properties totaling 21,329 hectares that have potential for gold, silver, and copper exploration. The company is actively conducting exploration efforts on its Carmona gold/silver/copper property, strategically located in the Chilean mega porphyry gold/silver/copper belt.

Chile's Lithium Market

On April 20, Chile's President Gabriel Boric announced his intention to nationalize the country's lithium industry, which is the world's second-largest producer of the essential metal used in electric vehicle batteries. The move aims to boost Chile's economy and protect its environment by transferring control of the vast lithium operations from industry giants SQM and Albemarle to a separate state-owned company.

In response, Lithium Chile Inc. expressed support for President Boric's initiative and its potential benefits.

According to Lithium Chile's announcement, the proposed public-private initiative offers a transparent way for private companies to explore and develop their lithium assets. The company's management team welcomed the decision, emphasizing its positive impact on their business and the opportunity it provides for advancing projects in Chile.

Steve Cochrane, President and CEO of Lithium Chile, stated, "Contrary to nationalizing the Lithium industry in Chile, they have established a partnership between the public and private sectors that should allow for the rapid development of lithium projects in Chile." He further highlighted the removal of uncertainty and the potential for global interest in Chilean lithium projects.

Lithium Chile is poised to capitalize on this decision with its large exploration portfolio and strategic positioning in the lithium-rich region. The company has expressed confidence in its planned drilling program for early summer 2023 on its Llamara Project. The supportive stance of the Chilean government towards private sector investment and involvement encourages LITH to explore additional avenues for investment, growth, technology, and partnerships.

The Players

While Chile is a leading lithium producer and holds one of the largest reserves on the planet, only two companies, Albemarle Corp. (**NYSE:ALB**) headquartered in North Carolina and recognized as the world's largest lithium producer, and SQM (**NYSE:SQM**) the second-largest producer based in Santiago, Chile, are licensed to produce lithium in the country.

Albemarle Corporation (NYSE:ALB) is a global leader in the development, manufacturing, and marketing of engineered specialty chemicals. With a strong presence worldwide, the company operates through three key segments: Lithium, Bromine, and Catalysts. In the Lithium segment, ALB offers a comprehensive range of lithium compounds, including lithium carbonate, lithium hydroxide, lithium chloride, and lithium specialties and reagents.

Earlier this year, when lithium nationalization talks were announced in Chile, Albemarle told Reuters that the announcement would have "no material impact on our business" and that planning for further investment in Chile would continue.

Sociedad Química y Minera de Chile (NYSE:SQM) is a prominent Chilean chemical company that serves as a leading supplier of plant nutrients, iodine, lithium, and industrial chemicals. With its significant presence in the global market, SQM holds the distinction of being the world's largest lithium producer.

SQM showcased strong financial results in 2022, generating \$10.7 billion in revenue, with a significant portion of \$8.15 billion coming from its lithium operations. As SQM continues to

navigate the Chilean market, it will be intriguing to observe how the company strategically manages challenges and capitalizes on opportunities to maintain its position as a leading player in the global lithium industry.

Also In The Region

While not operating in Chile, **Lithium Americas Corp. (NYSE:LAC)** is prominent resource company operating in both the United States and Argentina. The company specializes in the exploration of lithium deposits, with a focus on sustainable and responsible development. Lithium Americas owns interests in three key projects: the Cauchari-Olaroz project located in Jujuy province, Argentina; the Thacker Pass project situated in north-western Nevada, United States; and the Pastos Grandes project situated in the Salta province of Argentina.

One of the highlights for Lithium Americas is its Thacker Pass asset, which has the potential to be a game changer. This asset boasts an impressive after-tax net present value of \$5.7 billion and showcases an attractive internal rate of return (IRR) of 21.4%. The Thacker Pass project is expected to generate healthy cash flows once it becomes operational. Earlier this year, Lithium Americas secured a significant boost when General Motors (NYSE: GM) infused \$650 million into the project for its development. This financing ensures smooth progress and sets the stage for first production to commence in 2026.

In addition to the Thacker Pass project, Lithium Americas has a stake in the Cauchari-Olaroz asset located in Argentina. The company has already finalized the separation of its U.S. and Argentina assets for separate listing entities. With the Cauchari-Olaroz asset targeting its first production in 2023, it presents a potential catalyst for stock upside. This strategic move and the upcoming production milestone further enhance the growth prospects for Lithium Americas.

With its strong project portfolio and the support of key partnerships, Lithium Americas Corp. is poised for success in the lithium market. The company's commitment to sustainable practices and its solid foothold in both the United States and Argentina make it an attractive choice for investors seeking exposure to the rapidly expanding lithium sector.

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Tags

LITH STOCK

NYSE:ALB

NYSE:SQM

NYSE:LAC

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(OTC:LTMCF)

(TSXV:LITH)

ALBEMARLE CORPORATION (NYSE:ALB)

(NYSE:ALB)

SOCIEDAD QUÍMICA Y MINERA DE CHILE (NYSE:SQM)

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LITHIUM AMERICAS CORP. (NYSE:LAC)

(NYSE:LAC)

LITHIUM STOCKS IN CHILE