



This just could be one of the best lithium projects out there.

Share outstanding: 35.5 million

Fully Diluted: 46.7 million

Working Capital: 1.5 million dollars

Recent Share Price: 75 cents

Salares Lithium (V.LIT)

With the advent of hybrid and electric cars, the exotic metals market really has changed dramatically. It is not like lithium is such a super rare commodity that if you find it you are set. Lithium is a quite common commodity that we as a society are becoming insatiable for, which gives a common mineral an uncommon price tag. This is obviously good news for the entire lithium space, but I find it particularly great news for companies that have all the right ingredients.

There are several things a lithium company needs to have in order to be successful. First, it needs the right formation. There are multiple types of formations and I'm not going to get into the nitty-gritty of why certain types are better, but basically, having a brine type deposit is half the battle. The main reason is production costs. Brines have the lowest production cost of any type of lithium deposit by far. Salares has a 96,604 hectare land package, which is comprised of mostly brines (salt lakes). This land package is the largest of its peer group.

Secondly, the brine should really be in a desert. The desert isn't a requirement, but if the project is going to be low cost, what better way then to dry/evaporate something than in a desert. In my books, this is a must. The Salares Lithium property package is located in the Atacama Desert area which is just south of the most arid place on earth, the Antofagasta Desert. This will allow for quicker



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evaporation, which will get the brine to a concentration that can then be used as the input at a lithium carbonate plant. The plant will convert the concentrated brine to lithium metal to lithium carbonate used in the end-use of batteries.

Thirdly, is, of course; infrastructure. To say a company has good infrastructure in a desert is basically using relative terms. However, relatively speaking, the company is close to power, roads, and a knowledgeable workforce.

Fourthly, the land package is 100% owned by Salares and SALA, its Chilean partner. Clear title and ownership are very much needed so there aren't any disputes over ownership, which could halt work all together. There are cases, especially in South America, where land title issues stall work to the point where the project is abandoned. The way Salares is set up, this will not be a problem.

The way the transaction was structured was that Salares Lithium would be able to earn 70% of SALA and the concessions by delivering a NI43-101 report and expending 2.5 million dollars within 3 years. This would give Salares a 50% ownership. For 70%, the company would have to deliver a bankable feasibility study within 2 years of the 50% earn in being completed. This would give the private local partner a 30% stake which is not carried. That last fact is great, because Salares has the potential of owning the project outright if SALA does not deliver 30% of the costs.

The project

The project is huge. Of the 7 Salars the company has, the "Salar de La Isla" is the largest; 15 kilometers long and 10 kilometers wide at its widest point. The rest of the Salars are a fair bit smaller, but still quite substantial. Historical data shows samples of lithium/potassium of 1,080 ppm. A recent transient electromagnetic survey has shown that the northern part of the "Salar de La Isla," which is 10,750 hectares, shows that there are anywhere between 2.5 and 5.4 billion cubic meters of brine. This means that in the northern part of the Salar, there could be anywhere between 1.4 and 2.8 million tonnes of lithium. This does not take into account the rest of the "Salar de La Isla," which is another 5,000 hectares, or the rest of the Salars controlled by Salares Lithium. Just to put this into perspective, total world reserves are around 19-20 million tonnes, which would give Salares Lithium a sizeable piece of the lithium pie. These calculations I have done here are highly speculative, as they are based on historical sampling, but it gives us a pretty good idea as to what we are looking at in



terms of size and scope. The grades may change in relation to what they were in historical sampling, but even if they were half, this project would still be very attractive.

Potential Economics

To take this a little further, the current price of lithium is around 6,500 dollars per tonne. The average price of recovery of lithium associated with brines is around 2,300 dollars per tonne.

Based on the current situation, the company has yet to define a resource. With the current market lust for lithium, Salares Lithium should have no troubles with having a share price of \$1.60 in the next 6-12 months. The main catalyst for this would be a resource calculation, which is in the cards, as management has indicated to me.

The company is well financed and should not need to finance at low price levels. In fact, it is crucial that they keep all their financings at above 1 dollar, which should be no problem as long as the capital markets hold out.

For a lithium project, this would be one of the better, early stage ones to get involved with as present excellent potential in the near and medium term.

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