

15/11/2017 – GBC Research Comment – Rock Tech Lithium Inc.

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 * catalogue of potential conflicts of interests on page 5

Management Interview – Rock Tech Lithium Inc. – Chairman of the Supervisory Board, Dirk Harbecke

The price of lithium has increased significantly in recent months and has reached a new all-time high. The Rock Tech Lithium share price has also increased significantly since the start of the research coverage by GBC and is currently at its highest point. This prompted GBC financial analyst Marcel Goldmann to interview the Chairman of the Supervisory Board for Rock Tech, Mr Dirk Harbecke.

GBC: The demand for lithium has risen significantly in the past financial year. Why do you think this is?

Harbecke:

We are seeing an increase in demand sooner and faster than expected, driven by Asian battery manufacturers building batteries for electric cars, and of course, Tesla, who produce batteries in collaboration with Panasonic at the “Gigafactory”. Other future battery manufacturers, e.g. companies from the automotive industry, are also slowly entering the marketplace and are looking to build up stocks of lithium.

GBC: The significant increase in demand for lithium (see chart) has led to a strong increase in lithium carbonate prices. How did this development come about and how do you see demand for lithium developing in the future?



Harbecke:

The lithium market as a whole is still small and specialised. We are currently working with an offer of 200,000 tonnes of battery-grade lithium per year. This market will flourish in the coming years. The increase in demand, which many experts forecasted to start from 2025, is, in reality, already underway, and of course that drives prices. As real demand continues to rise, we do not expect lithium carbonate prices to fall – quite the con-

trary. The big question will be how much staying power this new offer has within the market. That depends on whether the complex production processes in the lithium sector can be understood and implemented by potential producers, and there are certainly doubts about that.

GBC: You have a promising core lithium asset with Georgia Lake. What measures have you taken recently to steer this commodity asset further towards production and what have you already achieved?

Harbecke:

We are focused on achieving our goal of bringing our Georgia Lake asset into production in the coming years. Over the past few months, we have completed additional drilling and exploration work on our property to better understand all possible options for the lithium sector – this is very important for the upcoming feasibility study. We also found new lithium pegmatites and lithium gears that are not yet included in our resource estimates, which we are currently including in our preparations for a drill programme. But it's crucial that we understand the metallurgy of our lithium pegmatites as this information allows us to produce high-purity lithium from material in the soil. So far all our results have been very positive!

GBC: What other development plans are you making for your core asset, Georgia Lake, and are you looking to expand on your existing NI-43-101 compliant resource estimates?

Harbecke:

We are trying to permanently increase our resources while also seeking greater understanding of how we give details on our lithium deposit and optimise its processes. Both are necessary to prepare carefully and successfully for a feasibility study and the possible subsequent production in around three years. There are still some drilling programmes and other mineralogical work in the winter.

GBC: Are there any plans to acquire additional lithium resources in addition to the previously acquired Georgia Lake project, with a view to developing them further?

Harbecke:

Yes, but only to complement our core asset, Georgia Lake. Nobody can predict how long lithium batteries will remain the market leaders. Our core asset, Georgia Lake, will hopefully guarantee potential lithium production for at least 15 years, but as a project developer, we also need additional assets in order to remain a key player in a high-demand lithium market in the long term. We will examine any opportunities that arise.

GBC: In terms of possible long-term lithium production, what are the current options for your company and what do you consider to be the most likely scenario?

Harbecke:

As we approach production, the company will undergo some changes. Of course, companies need loans and financing to start production, but also extensive expertise, e.g. in the mining, engineering and processing sectors. We are in discussions with various partners regarding collaborative projects. These include battery manufacturers, carmakers and classic financial investors. There are currently many signs that the battery production industry will try to bring all economically feasible lithium projects into production. This industry alone will provide a great deal of capital, which will also be beneficial to us.

GBC: How do you assess the current valuation of the Rock Tech Lithium share, and what are the key value drivers for future share price performance?

Harbecke:

Currently, the Rock Tech share is significantly undervalued compared to its direct competition (peer group). There are similar companies to us that are more aggressive in their marketing, but, unlike us, they sometimes cannot even provide any information on a designated resource, and yet they are currently rated three times as high as we are! The lithium market is of course a booming market right now – and rightly so, since no other metal has ever had such high growth rates, namely 18% year-on-year (CAGR). This is why you cannot compare the industry with other metal explorers right now. Lithium is a super growth market that is still in the very early stages, and we consider ourselves undervalued in this market.

GBC: Mr Harbecke, thank you for talking to us.

GBC's conclusion: Rock Tech has 9.5 million tonnes of NI-compliant lithium resources and continues to expand its existing resource base. If the price of lithium were to rise again, this would continue to have a highly positive effect on the value of the company. The increasing demand for lithium, combined with high lithium prices, should also result in the battery production industry becoming increasingly focused on assets containing lithium, which makes it a likely takeover target.

ANNEX

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