



LITH on the move with exploration program, JV

As a general rule, the most successful man in life is the man who has the best information

Lithium Chile (TSX.V:LITH, OTC-QB:LTMCF) has started drill-testing its first target in the Salar de Atacama in Chile, where the Calgary-based company has a choice of four tantalizing prospects to choose from.

Announced in a [press release on June 28](#), the four-hole program at Ollague follows a recently completed sampling program where lithium brines were found to contain between 160 and 1220 milligrams per liter (mg/l). The holes will be drilled to a minimum of 250m depth, and will focus on conductive targets identified in a transient electromagnetic survey (TEM). Lithium Chile believes these low-resistivity zones, which are between 20 and 200m thick, and under 120 meters below surface, reflect saline aquifers.

“After amassing [one of the largest lithium land packages in Chile](#), we have now begun drilling on one of our more advanced projects which have had sampling and geophysics completed on them,” President and CEO Steve Cochrane said in the press release. “The new government has been clear in its support for the lithium sector and we are similarly encouraged by the strong community support we have received. This is an exciting new growth phase for the Company and our goal is to maximize our early-mover exploration advantage in Chile.”

Early mover advantage

Let's focus on those words "early mover advantage". This lithium junior holds 152,900 hectares across 14 salars and one "laguna" (lagoon in Spanish), surrounding the world's most important lithium reserves in the Salar de Atacama.

With nearly 150,000 hectares under its control, Lithium Chile went exploring in 2016. Since then, the company has completed surface and near-surface brine and salt sampling programs on six salars: Coipasa, Ollague, Helados, Atacama, Turi and Talar. Geophysical surveys on five properties have also been done, with reconnaissance drilling happening right now. [Of the six identified salars, four have been prioritized according to three criteria: grade, size and access.](#)

All four properties - Coipasa, Ollague, Helados, and Atacama - are accessible by paved highways. Surface and auger sampling returned grades ranging from 580 milligrams per liter (mg/l) at Salar de Turi, to 1,410 mg/l at Salar de Coipasa. Surface and near-surface sample grades on the four above-mentioned properties were north of 1,000 mg/l. To put that in perspective, average lithium production grades in Argentina are 600 mg/l.

Compared to its peers, Lithium Chile has moved quickly in gaining the support of the local community, Ollague, near the Bolivian border. That happened three weeks ago, followed by an official signing, and within days the first drill rig had been mobilized to the site to begin the first of four holes.

"A number of our contemporaries in Chile have been talking about drilling and about getting permission for 10 to 15 months, and yet we are the first out of the gate. We are the opinion leaders. We have permission and we've actually got a rig and our exploration program underway, albeit in just Ollague. But I think if you measure our performance against the other contemporaries that have staked claims and are operating in Chile, [we really have to be one of the early movers in terms of advancing our project.](#)" Cochrane told Ahead of the Herd this week.

Along with the four holes to be drilled at Ollague, Lithium Chile is also going to be retesting the brine content of water wells that were tested by a hard-rock mining company, but found to be too salty and capped. Geophysics identified one of the

wells to be highly prospective, so LITH geologists flushed the well out and let it recharge. Within 20 minutes it had filled about 10%, indicating a good flow rate. Sampling revealed 1,220 mg/l.

“That 1,220 milligrams per liter is not only a great number but it gives you a lot of confidence that the aquifer is down there and it seems to be lithium bearing so we're encouraged by that,” said Cochrane.

As for what he expects to find at LITH's first drilling prospect, Cochrane is cautiously optimistic. He sees the first reconnaissance hole as a kind of testing ground, that will hopefully confirm earlier sampling and geophysical work.

“A lot of questions are going to be answered on this first hole. We're really going to school on it. We're going to sample probably more frequently than we would normally. We're going to try running different casings. We're going to really look at this.”

Depending what's found, the company may choose to drill deeper, or punch more holes if the area yields more targets. “Conceivably you could double the depth of the holes. You may also see that you've hit some real sweet spot at one of the reconnaissance holes so maybe we plan another two or three holes in that vicinity,” Cochrane said.

Coipasa is the next drill target, and Cochrane is already talking to the town about getting drilling permission. An answer is expected very soon. [Asked what his favorite salar is among LITH's properties, Cochrane is quick to answer: Coipasa.](#)

“If you saw the geophysics on it it's beautiful. It's our second largest property at 11,000 hectares, it's immense. It had our best grade, 1,410 milligrams per liter. We control 65% of the salar so it's not a piecemeal where there's 10 or 15 other guys. Of course, two-thirds of the salar is on the Bolivian side as well. We're right on the border so we control the majority of the land, we have the highest grades, and so one of our biggest properties and the geophysical profile looks

outstanding. It's got a whole bunch of good things going for it and I'll be very excited if we can get this community access result soon."

Lithium Chile currently has about \$1 million of its \$6 million cash in its exploration budget, enough to cover drilling at each of the four prioritized salars. Drilling costs in Chile run about \$200 a meter, so the costs to drill four holes in each salar is pegged at around \$200,000, for a total of \$800,000.

This year's drilling is expected to continue late into the third quarter, but after the money's spent, LITH will still have quite a bit left in the kitty. The treasury currently sits at about \$6 million, not including \$1 million that the company has coming from a joint-venture deal it recently cut on its Pintadas Norte project.

Prosper One JV

Under the recently signed memorandum of understanding (MOU), Hong Kong-listed Prosper One, a holding company, has the opportunity to earn 55% of Pintadas Norte within three years by spending \$3 million in exploration.

Cochrane said Lithium Chile is excited to be working with Prosper One since its parent company is one of the largest fertilizer producers in Mainland China that recently did a \$15 million capital raise with Australian bank Macquarie in its Hong Kong listed pubco. The parent company is interested in Pintadas Norte not only for its lithium (the parent company is building a lithium processing facility in southern China) but for its fertilizer potential. That's because the property is located within Chile's coastal mountain range where mines have been producing potassium nitrate - used as fertilizer - for the past 150 years. In fact the British started mining potassium nitrate in the mid-19th century to support the war effort in Crimea. Another use of potassium nitrate is for gunpowder.

The coastal range is fertilizer-rich but there is also historical data showing lithium content in wells at upwards of 800 mg/l.

“Prosper One's interest was piqued because A, they see this as a potential lithium-rich source to help provide feedstock for their lithium processing facility. And B, they also see it as a potential fertilizer asset as well,” said Cochrane.

Under the deal, LITH will receive a million-dollar up-front payment (Prosper One will receive LITH shares priced at \$1.00 plus half a warrant), with staged exploration to be conducted by Lithium Chile. There is no obligation on the part of Prosper One in the second and third years but the company can earn another 20% of Pintadas Norte if a prefeasibility study is completed.

“From a shareholder standpoint, it's an accretive deal,” said Cochrane. “We're pleased with that and it's additional cash in our till but more importantly, these guys have got very deep pockets, they've got access to enormous capital, and we feel as a partner should this whole play prove up to commercial, these guys have got the ability to bring this through to production.”

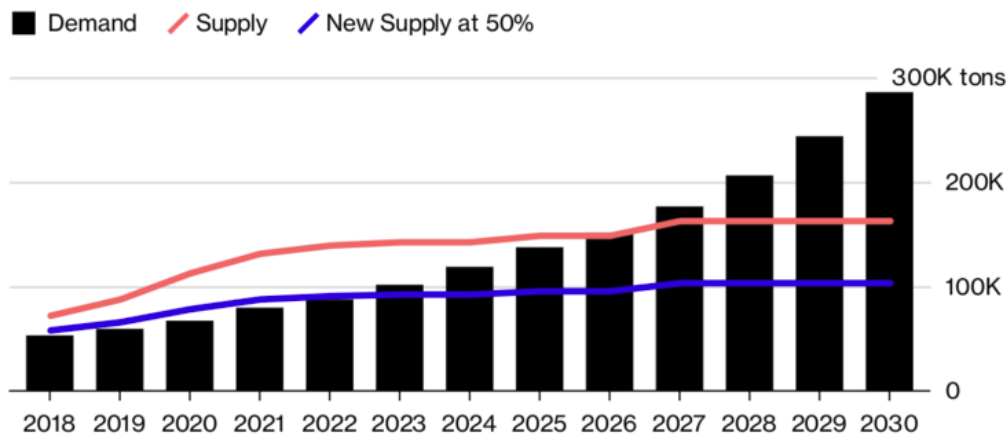
The 66,000-hectare property is at an earlier exploration stage compared to its four prioritized salars but up to five wells have been drilled that sampled between 363 and 583 mg/l lithium. “On a 330-square-kilometer property they pulled grades out of water wells that are very equivalent to what they're seeing in Argentina,” said Cochrane. He anticipates around \$850,000 will be spent in the first year on reconnaissance drilling (1,500m) plus a TEM survey.

Inescapable demand

Electric vehicle sales crossed the one million milestone in 2017 after growing 56 percent year-over-year. EV sales are expected to hit 4 million in 2020 and 21.5 million by 2030. JP Morgan has predicted that 47 percent of new cars will be battery electric by 2050.

Lithium Reality Check

Challenges to new supply would shift the market outlook, Bloomberg NEF says



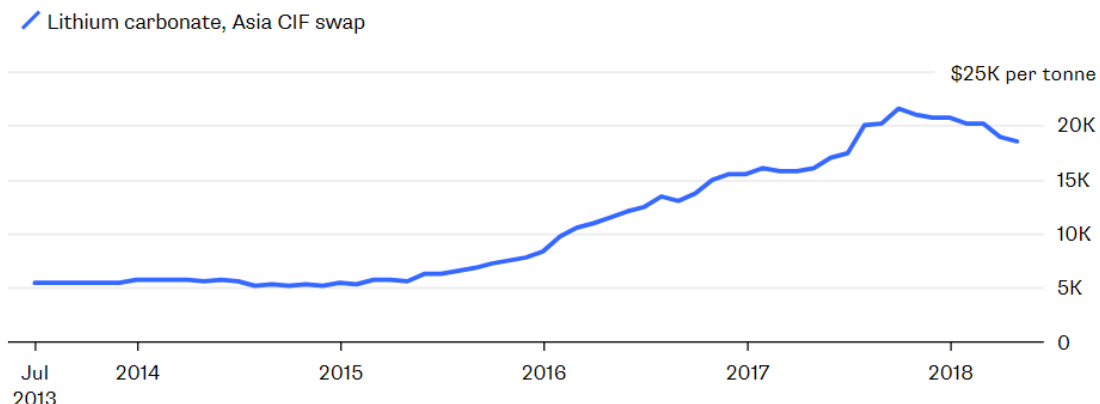
To convert to lithium carbonate equivalent, divide by 0.188
Source: Bloomberg NEF

Bloomberg

[Fear and Lithium in Las Vegas](#)

Charging Up

Lithium prices have jumped since late 2015



Source: Benchmark Mineral Intelligence

Benchmark Minerals Intelligence, a research and data firm, projects demand to rise from about 220,000 tonnes of lithium-carbonate equivalent in 2017 to more than 900,000 in 2025 and around 2 million by the early 2030s.

Conclusion

Lithium Chile has made great progress in a very short period of time, having secured a JV partner on a project in coastal Chile that not only has the potential

for lithium, but potassium nitrate. If the property is explored to production the lithium would be used as feedstock for a processing facility in China, the largest market in the world for electric vehicles, as well as a major fertilizer consumer.

Exploration has just begun at Ollague, its LITH's first salar to go under the drill bit, and we are excited to see what kind of grades are going to come from the material at depth. These are still early days for Lithium Chile though. We have results from four holes at Ollague to look forward to, plus the other three salars that LITH plans to drill in short order. We like the fact that Lithium Chile has early mover advantage in the most lithium-rich area in the world, and also the lowest cost. With the number of salars and claims it has under its control, we can even consider Lithium Chile to be a prospect generator with the ability to spin off any one of its properties. The best is certainly yet to come for Lithium Chile and that's why LITH is on my radar screen.

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