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The Electric Car blind sides the Auto Makers

You cannot go out and buy an Electric Car, if you want one. Instead you have to put down a deposit of \$1,000 and more just to get on a waiting list that could be several months to a year long. Other than Elon Musk at Tesla (NY:TSLA) the rest of the industry did not see this demand coming or so much of it.

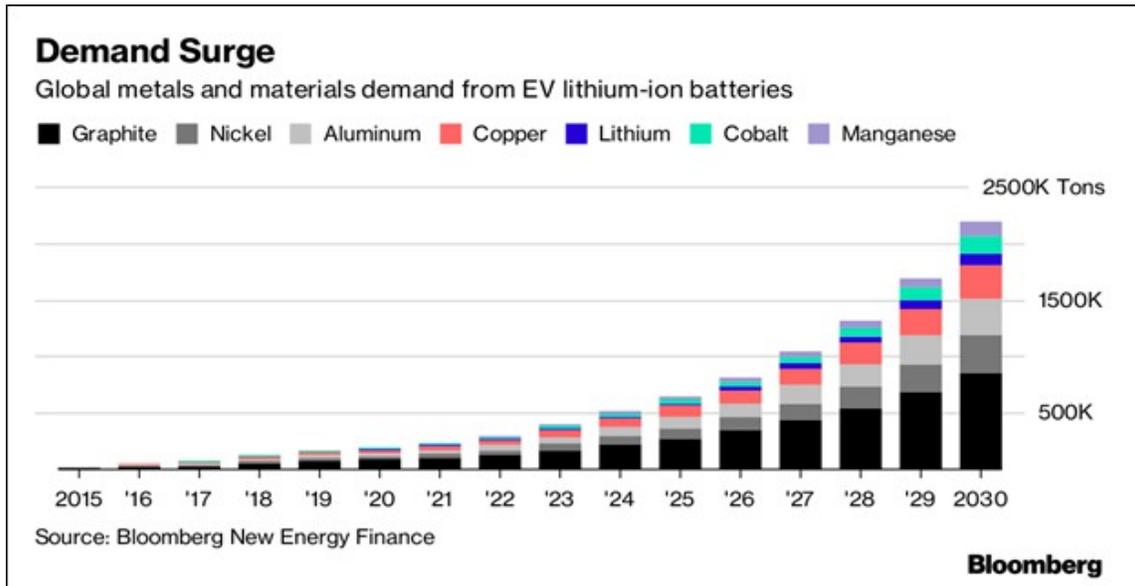


The line above is for the new [Tesla model 3](#), priced around \$35,000. There are three obvious reasons why demand for electric cars (EVs) are on the rise.

- Mechanically they are much simpler with electric motors compared to combustion engines and also add the benefits of less noise and pollution, but more torque.
- As always technology advances so in this instance the battery is going a longer distance on a charge and the price of EVs has come down considerably.
- The biggest reason is fuel cost. If you live on the planet earth you will know the number one thing consumers complain about is fuel costs, no matter the price. If gasoline prices fall, it is not far enough and if prices rise, they were all ready too high.

The Big 3 and automakers around the world [are scrambling to ramp up EV production](#) and the battery manufactures are scrambling for raw materials.

This new technology wave in the auto industry is going to create huge demand for a handful of different metals, in particular for the lithium ion batteries. This next chart from Bloomberg shows the projected demand and makes today's consumption of these metals minuscule.



It is too much to cover all these metals in one report so the focus for this report is Lithium.

Lithium is white hot

That has been a description for the metal but now relates to the Lithium price and related stocks.

The Lithium sector is white hot as the focus moved from graphite to Lithium over the past few years. Now graphite prices are rising again and Cobalt has joined the battery party. I have pointed out some charts on the market in the past, but as an example:

“During our world travels and meetings with investors, we constantly get asked where we see prices in 2017. We have consistently answered that we do not expect a lithium price crash in 2017 and the signs are pointing to further price increases, especially in China after Galaxy Resources signed a spodumene contract for \$830-905/tonne – way up from the ~\$650/tonne peaks in 2016.” [Benchmark Minerals](#)



Finding the price of lithium is not cut and dried. There are prices for Lithium carbonate or Hydroxide and spodumene mentioned above. Some prices are quoted in Kg and others per tonne. There is China prices and depends what grade of Lithium. In general battery grade Lithium is about double the price shown in the chart above. No matter how or what you measure the price, they are way up and new record highs in May of this year with prices up another 15% to 20% in 2017 alone.

One issue is that four producers control 85% of supply and are the big influence on price.

“This oligopoly poses a real challenge for Tesla, will need about 27,000 tons of lithium carbonate a year to reach its sales target of 500,000 vehicles a year by the end of 2018. That equates to 16% of global consumption last year, Macquarie estimates.”

For some more background on lithium and this quote [see Fortune article here](#).

Beyond a doubt the Lithium market is white hot and one of the hottest commodities going.

For investors one of the difficulties is there is no good direct investments. The four big producers derive their income from so many other sources they are not great proxies on Lithium and the while Lithium Funds and ETFs own these, their holdings also include a lot of other battery and EV related stocks, so they are not a very direct proxy on Lithium, never the less, Lithium ETF 'LIT' has been hot too.



So the focus of many and mine has turned to the juniors that are exploring and trying to develop new Lithium projects. Many of these have been heavily promoted and have seen wild price swings. Shorts have jumped on to some of these and were spewing fears that Lithium prices would crash.

Here are price charts of two fairly well known juniors.

Lithium X (LIX)

and

Critical Elements (CRE).



Lithium X has a market cap around \$160 million and Critical Elements about \$245 million

Lithium projects can either be brine operations that use wells to pump and bring a solution to surface or typical hard rock mining.

Brine

Pure Energy (PE) is exploring their lithium brine project in Nevada. They just completed their 8th exploration hole and now have a market cap of about \$35 million. They also just acquired some Nevada claims from Lithium X, expanding on another project there.

Dajin Resources DJI has early exploration properties in Nevada and has optioned out their Argentina properties and now with a market cap of about \$17 million. Recently they made an agreement with Geothermal Development to joint develop some of their Nevada claims

Hard Rock

Critical Elements (CRE) have hard rock lithium known as spodumene pegmatite, not a brine type deposit.

Their Rose lithium-tantalum project, in Quebec hosts a current indicated resource of 26.5 million tonnes of 1.3 per cent lithium oxide equivalent, or 0.98 per cent Li_2O and 163 parts per million Ta_2O_5 , and an inferred resource of 10.7 million tonnes of 1.14 per cent Li_2O Eq, or 0.86 per cent Li_2O and 145 parts per million Ta_2O_5 . In September they announce a feasibility study with pre-tax NPV 8% of \$1.257 billion and an IRR of 48.2%

Their Lemare lithium project in Quebec, Canada is optioned out to a Australian junior.

CRE Market cap about \$245 million

Rock Tech Lithium (RCK) also has a hard rock pegmatite at its 100-per-cent-owned Georgia Lake lithium property in the Thunder Bay mining district of Ontario, Canada.

It is probably best comparison to Quantum (see below) because the situation and size and scope of project very similar to QMC

They just released the first batch of channel sample assay results from its recently completed exploration program. That ranged 1% to 1.6% over 1 to 6 metres. They release 7 drill hole results end of June with the best at 11.65 meters of 1.53% Li_2O . A 2nd zone with another 7 holes seen the best results as 5.03 meters of 2.76% Li_2O .

The McVittie pegmatite, located south of the Nama Creek pegmatite, was the focus of a drill program conducted in 1955 and 1956. In total, 12 holes were drilled totaling 1,093 metres leading to a historic resource estimate of 236,775 tonnes grading 1.03 per cent lithium oxide (Li_2O) (Pye, 1965).

RCK, Market cap is about \$40 million

Ultra Lithium (ULI) also has a hard rock lithium project in the Georgia lake area and a Brine project in Nevada and one in Argentina, all are at early stage exploration. They drilled four holes on their Georgia Lake project and in July reported the best result as 5 meters of 1.42% Li_2O .

Current market cap is about \$13 million.

Frontier (FL) has 100% in the Pakeagama Lake pegmatite in Red Lake Ontario. The Pak deposit is one of the highest-grade lithium mineral resources in North America and has a current measured and indicated resource of 7.89 million tonnes of 1.73 per cent lithium oxide equivalent, or 1.58 per cent lithium oxide and 104 parts per million tantalum pentoxide, and an inferred resource of 295,600 tonnes of 1.35 per cent lithium oxide equivalent, or 1.20 per cent lithium oxide and 103 parts per million tantalum pentoxide, which has technical-grade/ceramic-grade spodumene with low inherent iron (below 0.1 per cent iron oxide).

The deposit has adjacent zones that are enriched in tantalum and rubidium. Frontier is also evaluating the phased co-production of tantalum and mica product concentrates once lithium mineral production has been commercialized. They started a prefeasibility study this year and results forth coming.

FL Market cap \$60 million

I have been patiently waiting for the right lithium play to come around but at a cheap price or good value, and finally patience has paid off. I alerted you to the finance opportunity back in April and now I think the timing is right to purchase or add to positions in the market.

Quantum Minerals TSXV:QMC OTC:QMCQF C\$0.21 Shares outstanding 41 million

52 week trading range \$0.02 to \$0.215

What I like about QMC Quantum Minerals (TSXV:QMC OTC:QMCQF) - **their project is in Canada and is at an advanced stage so exploration risk is very little. In fact there is already a shaft sunk on the historic deposit with development drifts and crosscuts.**

And the valuation is very low at less than \$7 million, simply because it is not well known yet. I met the CEO of the company Balraj Mann, at PDAC in March this year and went over all the details.

Management

Balraj Mann, CPA. CA., CEO, President & Director is a Chartered Accountant with over 34 years of experience in Corporate Finance, acquisitions, and financial reporting, serving as a director and advisor for both public and private companies.

Mr. Mann was a Senior Manager with Price Waterhouse and attained his designation with the same firm in 1982. From 1989 to 2001 he was president of a private real estate development corporation completing industrial, commercial, single and multi-family high-rise residential projects in excess of \$200 million. During this time, Mr. Mann was also an active participant in the corporate management of the Boundary Bay Airport in Delta, BC. He was a Member of the advisory board of Accelerate Power Systems Inc, formerly Key Capital Group Inc., from 2000 to 2001. Over a period of six years, from 2006 to 2012, Mr. Mann had served as the CFO Director, and Senior Advisor of Business Development at Eagle Star Minerals Corp.

Bruce E. Goad, P. Geol., M.Sc. has 40 years experience in mineral exploration starting his career with AMAX Minerals / Canamax Resources. Subsequently, he worked as an independent contract geologist for numerous companies ultimately starting up Inukshuk Exploration Inc., his own exploration consulting company in 1990. As the former president of Inukshuk Exploration Inc. prior of its sale to WPC Resources, Mr. Goad focused primarily on evaluating projects and managing grass roots mineral exploration which includes precious, base, industrial and rare metal projects.

The extent of his experience is global having worked on and numerous projects throughout Canada, China, Zimbabwe, Kalimantan and Argentina and Panama. He has work on numerous deposit styles including porphyry, banded iron formation (BIF) gold deposits, skarn, greisens, rare element pegmatites, VMS, and he has had a sharp focus on exploration for gold deposits. In the past, Mr. Goad has served as a director with Pan Global Resources.

Kevin Ernst, B.A., M.B.A., CIMA – Advisor is CEO Ernst Capital Partners Inc., and was previously Managing Partner Grandview Capital Inc. a boutique investment banking firm. Prior to this, Mr. Ernst served as Managing Director, Global Corporate Client Group, NYSE Euronext. He was responsible for increasing NYSE Euronext's presence through new business development in Canada, Europe and Asia.

Jim Dawson, P.Eng., – Advisor is a registered professional engineer with 40 years of hands-on fieldwork experience examining, exploring and evaluating a wide range of geological and mineralized settings around the globe. As a partner with Kerr, Dawson – Associates Ltd. 1972-1985, Jim participated in the discovery of the Blackdome Mine, Frasergold and Taurus Properties in British Columbia and the Big Horn Mine in Arizona. As part of the original Pan Ocean Team he participated in the discovery of the Lac Cinquante uranium deposit in 1975.

Mr. Dawson has also served as President of Dawson Geological Services Ltd since 1985. He is based in British Columbia and is a director of Wealth Minerals Ltd. and Kivalliq Energy Corp. Previously a Director for Minefinders Corporation Ltd. which amalgamated with Pan-American Silver Corporation.

Projects

Quantum has two early exploration precious metal projects in Manitoba called **Nome Lake**, 23,000 hectares 100% owned in the prominent Flin Flon/Snow lake mining district and **Carrot River** 3,073 hectares in the greenstone belt among a number of gold deposits. Samples have returned values up to 15.6 g/t Gold and 310 g/t Silver.

Their current focus is a new advanced stage Lithium acquisition called **Irgon Lithium Mine Project**

Currently the project consists of the historic Irgon Mine



Irgon Mine Lithium Project – Highlights:

- The Irgon Mine Lithium Property hosts several rare-metal bearing (Li, Be, (+/-Ta, +/-Cs)) pegmatites, and is located immediately north of Cat Lake Manitoba.
- Substantial developmental work carried out by the former property owners – The Lithium Corporation of Canada Ltd.
- Deposit contains an estimated resource of more than 1.2M tons of spodumene-bearing pegmatite grading 1.5% Li_2O .
- Total area covered by the 4 claims is 700 hectares. Access to the property is excellent as Provincial Highway 314 in southeast Manitoba transects the claims, approximately 150km northeast of Winnipeg
- Project located just 20km north of the nearby Tanco Mine at Bernic Lake

The [Tanco Mine](#) went into production in 1969 and produced tantalum, cesium and lithium concentrate. It was previously North America's largest and sole producer of spodumene (Li), tantalite (Ta) and pollucite (Cs).

The mine is still in production, producing cesium and the mill has lots of unused capacity.

The Cat Lake project covers the former Irgon Mine and several known pegmatite dikes of which currently the largest and best exposed is the spodumene-bearing Irgon Dike. This dike is well exposed on a glaciated surface and strikes $\text{N}80^\circ\text{W}$ with a dip of 87°S . It currently has a total exposed strike length of 442 meters and displays widths varying between 3 to 18 meters, with an average width of approximately 7 meters. Between 1953-1954 the Lithium Corporation of Canada Limited drilled 25 holes into the Irgon Dike and reported a historical resource estimate of 1.2 million tons grading 1.51% Li_2O over a strike length of 365 meters and to a depth of 213 meters. **This historical resource is documented in a 1956 Assessment Report by Bruce Ballantyne for the Lithium Corporation of Canada Ltd. (Manitoba Assessment Report No. 94932). This historical estimate is believed to be based on reasonable assumptions and**

the company/QP has no reason to contest the document's relevance and reliability. A detailed drill program will be required to update this historical resource to current NI 43-101 standards.

The key take away from this historic resource is that it comes from just part of only one of several known dikes on the property. It starts right at surface and at this point has only been explored/drilled down to 213 meters. Exposed dike in this pic:



Historic metallurgical tests reported an 87% recovery from which a concentrate averaging 5.9% Li_2O was obtained. A complete mining plant was installed on site designed to process 500 tons of ore per day and in addition, a three-compartment shaft was sunk to a depth of 74 meters. On the 61 metre level, lateral development was extended off the shaft for a total of 366 meters of drifting; from which six crosscuts transected the dike.

The work was suspended in 1957, awaiting a more favorable market for lithium oxides. The mine buildings were removed in 1963 and the shaft covered with a concrete slab.

We know there is considerable lithium on this project and it is right on surface. On September 19th QMC announced they had received the work permit to start on the project and will now begin to strip the overburden off the lithium bearing dike. This will allow the company to obtain representative channel samples across the dike and then subsequently undertake a drilling program to update this historic resource to current NI43-101 standards.

The demand for lithium is exceptionally strong and there are already parties interested that want to test concentrate. They also know that if the concentrate meets their needs this project could go to production quickly with a potential mill located nearby, within easy trucking distance.

Financial

QMC recently closed a \$1.1-million financing. The financing was closed in two tranches, \$825,000 on April 12, 2017, and \$275,000 on May 5, 2017, for a total of 11 million units at 10 cents per unit, where each unit consists of one common share and one common share purchase warrant. Each whole warrant will entitle the holder to acquire one additional common share at an exercise price of 17 cents for a period of 18 months from closing of each tranche of the financing.

Summary

With recent financing QMC has the budget to update the current resource and process some bulk samples. A lot of work can be done cheaply on surface and subsequently underground after opening underground access in the mine and dewatering the existing workings. At the 61 meter level there has been 366 meters of drifting along strike; from which six crosscuts transected the dike.

There is a mill within 20 kms that potentially could be used to process ore. Because this could be fast tracked to production there is a lot of interest by 3rd parties in testing bulk samples. It is possible that QMC could strike some sort of off take agreement to finance the development to production. **If that happened and it is an 'IF' it would mean little share dilution.**

Currently there is only 41 million shares out and at 21 cents is not even a \$8.6 million market cap. This stock is cheap and represents very good value.

Rock Tech (RCK) valued at \$40 million is in the same area as Quantum and **Frontier (FL) valued at \$60 million** is not far away in Ontario. Both are hard rock lithium showing similar grades. Currently QMC's historic resource is much bigger than RCKs and smaller than FLs with similar grades, so this further validates a value between \$40 and \$60 million.

Far Resources (FAT) valued at \$26 million also has a Manitoba lithium project. The Zoro I Claim covers a significant lithium pegmatite occurrence known as the "Principal Dyke", It contains an historic "reserve" based on 1956 drilling of 1.8 million tonnes grading 1.4% Li₂O, to a depth of 305 m. So very similar size resource to Quantum, but they did some drilling in 2016/17 to move towards 43-101 qualified.

I can find no good reason why the valuation of the company will not move up in line with their peers as development work is completed at Cat Lake.

Therefore: on the low end a \$30 million market cap would be around \$0.70 per share. At the high end around \$50 million market cap would be about \$1.20 per share. I see between \$0.70 and \$1.20 as a reasonable target with lots of news flow on the horizon.



On the chart we can see two price moves, the first in March when they acquired Cat Lake and recently when they announced work has begun. Near term, the old high around 18 cents was resistance and the stock just broke out above this today and probably signals the next up leg. The stock is above the 200 day MA that has turned upwards so a bullish up trend is in place.

I bought shares in the private placement and on the market and currently own about 150,000 shares

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