Lithium Market

June 2019
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Electrification of Transportation is a once in a hundred year change thematic.

The EV ecosystem is developing faster than expected – EV penetration and Lithium demand estimates are continually being revised upwards.

Range anxiety is diminishing as new EVs are launched with 500km+ in range.

Unprecedented levels of capital investment to-date in the EV supply chain.

More than $215bn in capital has been committed for battery factories, conversion of car plants, and to secure raw materials.

Demand projections imply the lithium market needs to grow 4x by 2025 to satisfy demand.

New supply ramps have disappointed.

New Lithium supply will arrive later than expected, cost more and be smaller than projected.
Lithium
Demand
Supply
Why Lithium

Lightest metal on the periodic table

Highest electrochemical potential

Relative stability

Long cycle life

Not in Pure Elemental Form: mineralized or in solution

Economically Scarce: Low Grade / High Cost / Impurities

Complex Chemistry: difficult to process to “battery grade” purity

Geography: Argentina, Chile, Brazil, Canada, Australia, China

Next Generation Li-ion Batteries
a) Nickel-rich cathodes (from NMC111 to NMC622/811/9,0.5,0.5)
b) Solid-state electrodes
c) Graphene coatings

Lithium supply, to meet the rapid electrification of global transportation, is challenged

Next-Gen batteries increase energy density and lithium content

Lithium Royalty Corp.
Lithium

Demand

Supply
Policy

Government policy and technological innovation are increasing Electric Vehicle (“EVs”) penetration of global automotive volume

Currently +2% of all passenger vehicles are EVs. Consensus amongst consultants, investors, OEMs and investment dealers ranges from 10% to 25% EV penetration by 2025

- China is in the process of banning internal combustion engines ("ICE") by 2040
- Norway is banning ICE by 2025
- France is banning ICE by 2040
- United Kingdom is banning ICE by 2040
- India is banning ICE by 2040
- Israel to ban import of gasoline based cars by 2030
- Germany is in discussions to ban ICE by 2030
- California is considering a ban on gas and diesel-powered cars
Tightening global emission standards and the “Diesel Scandal” have caused OEMs to embrace EVs to meet emission compliance

- Diesel's market penetration, as a solution to increasingly stringent emission regulations, expanded from 0% in 1990 to over 50% of vehicles in Europe
- Diesel is now in structural decline in Europe
- Diesel > 1/5th CO2 of gasoline;
- Diesel > +30% Nitric Oxide (NOx) levels of gasoline

Evercore ISI estimates EU manufacturers would face up to €33bn in fines in 2020/2021 relative to 2018 levels

VW CEO estimates latest 2030 EU targets translate into more than 40% of total VW sales needing to be electric in order to comply
Innovation: Cost Parity

Scale and innovation are driving down battery pack costs (currently 40% of total EV cost) and increasing energy density (additional power/range without additional weight)

Total cost parity (capital, operating, insurance, tax, service, fuel/energy costs) is expected near term. EV cost could go below ICE as compliance costs, scale, innovation, taxes and model withdrawals occur

- Battery packs costs have fallen at a 20% CAGR since 2010 from US$750/kWh to less than US$150/kWh post the launch of the Telsa/Panasonic Giga factory
- 300% increase in lithium cost = 2.1% increase in battery pack costs (Bloomberg New Energy Finance)
- Several sub $40,000 EV launches in 2018 (Renault, VW, Tesla, BMW, Nissan, Kia)

Solar Panel Costs

- Down 90% in 20 years
- Down 50% in 2 years

$L/kwh$ battery costs continue to decline
Innovation: Extended Range & Fast Charging

“Range anxiety” has been a hurdle to consumer adoption
Average driver in the United States travels less than 30km per day

<table>
<thead>
<tr>
<th>Model</th>
<th>Battery Size (kWh)</th>
<th>Range (km)</th>
</tr>
</thead>
<tbody>
<tr>
<td>VW I.D. VIZZION</td>
<td>111</td>
<td>665</td>
</tr>
<tr>
<td>BYD Tang SUV EV</td>
<td>83</td>
<td>600</td>
</tr>
<tr>
<td>Tesla Model S</td>
<td>100</td>
<td>539</td>
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<tr>
<td>Tesla Model 3</td>
<td>75</td>
<td>500</td>
</tr>
<tr>
<td>Porsche Taycan</td>
<td>95</td>
<td>440</td>
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<tr>
<td>Jaguar I-Pace</td>
<td>90</td>
<td>386</td>
</tr>
<tr>
<td>Chevy Bolt</td>
<td>60</td>
<td>383</td>
</tr>
<tr>
<td>Audi E-Tron</td>
<td>95</td>
<td>375</td>
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<tr>
<td>Mercedes EQC</td>
<td>80</td>
<td>375</td>
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<tr>
<td>Nissan Leaf</td>
<td>60</td>
<td>362</td>
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<tr>
<td>NIO ES8</td>
<td>70</td>
<td>355</td>
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<tr>
<td>VW E-Golf</td>
<td>36</td>
<td>201</td>
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<tr>
<td>Audi A3 E-Tron Hybrid</td>
<td>9</td>
<td>26</td>
</tr>
<tr>
<td>BMW X5 Hybrid</td>
<td>9</td>
<td>23</td>
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Porsche Mission E
2019 deliveries
440km range
80% charge within 15 minutes
China = 27% of Porsche's sales and 43% of total growth
At the L.A. Auto Show on 12/7/2018, Porsche N.A. CEO “If all the people (who preordered) buy this car, then we are sold out for the first year”
Global Lithium-ion battery capacity is expanding rapidly – these factories are fiercely competing for lithium resources

Capacity expected to grow at 18% CAGR through 2028

- Global capacity to expand by 400% through 2028
- Factories planned for USA, Poland, Hungary, South Korea and China
- Chinese capacity to grow 7x through 2028

China to dominate battery production

- China currently 64% of market and likely to have ~60% share in 2028

Significant investment from the industry

- Samsung is investing $358m for a plant in Hungary
- LG Chem is investing $387m for a plant in Poland
- CATL is raising $2bn via an IPO to drive its expansion plans for battery capacity
New Battery Capacity by the Numbers

Battery expansions are happening across the globe with Chinese players leading the charge

- 1,456 GWh of battery capacity announced to the market by 2028
- Implies 1.2-1.3m tonnes of lithium carbonate equivalent

Source: Benchmark Minerals Intelligence, 1/19
$215B of capital has been committed for lithium resource development and lithium batteries.

<table>
<thead>
<tr>
<th>Strategic Activity</th>
<th>OEM Announcements</th>
<th>“Gigafactories”</th>
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<tbody>
<tr>
<td>Strategic Investment in LAC</td>
<td>Toyota</td>
<td>Dyson</td>
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<tr>
<td>SQM Investment in LAC Capex</td>
<td>13,000</td>
<td>1,400</td>
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<tr>
<td>SQM Investment in KDM</td>
<td>VW</td>
<td>Tesla Nevada</td>
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<tr>
<td>SQM Investment in KDM Capex</td>
<td>Ford</td>
<td>5,000</td>
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<tr>
<td>Gafeng Investment in LAC</td>
<td>Daimler</td>
<td>VW</td>
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<td>Bangchak Investment in LAC</td>
<td>Nissan-Dongfeng</td>
<td>Toray</td>
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<td>NextView Acquisition of UIX</td>
<td>172</td>
<td>Boston Power</td>
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<td>Greenbushes Expansion</td>
<td>25</td>
<td>Samsung</td>
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<tr>
<td>Talison Kwinana Converter</td>
<td>213</td>
<td>LG Chem</td>
</tr>
<tr>
<td>Altura Capital Expenditure</td>
<td>320</td>
<td>SK Innovation</td>
</tr>
<tr>
<td>Pilbara Capital Expenditure</td>
<td>144</td>
<td>Lishen</td>
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<tr>
<td>FMC Argentina Expansion</td>
<td>220</td>
<td>LG/Huayou</td>
</tr>
<tr>
<td>Albermale Wave I (ex. Greenbushes)</td>
<td>275</td>
<td>SK Innovation Atlanta</td>
</tr>
<tr>
<td>SQM Atacama Expansion</td>
<td>720</td>
<td>Wanxiang 123</td>
</tr>
<tr>
<td>POSCO Investment in Pilbara</td>
<td>170</td>
<td>Tesla Shanghai</td>
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<tr>
<td>Tianqi 24% Stake in SQM</td>
<td>63</td>
<td>Germany Subsidy</td>
</tr>
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<td>Softbank Investment in Nemaska</td>
<td>4,066</td>
<td>Indonesian Battery Plant</td>
</tr>
<tr>
<td>Albemarle Wodgina JV</td>
<td>79</td>
<td>Samsung Detroit Plant</td>
</tr>
<tr>
<td>Sigma Mitsui Oftake</td>
<td>1,150</td>
<td>Samsung China Plant</td>
</tr>
<tr>
<td>PlusPetrol Acquires LSC Lithium</td>
<td>30</td>
<td>Guoxuan Battery Capex</td>
</tr>
<tr>
<td>Wesfarmers bid for Kidman</td>
<td>85</td>
<td></td>
</tr>
<tr>
<td>Gafeng Investment in BCN</td>
<td>550</td>
<td></td>
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<tr>
<td></td>
<td>28</td>
<td></td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>8,974</strong></td>
<td><strong>49,866</strong></td>
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</tbody>
</table>

Lithium Royalty Corp.
Growth of EVs and Lithium Demand

Multiples of current lithium supply is needed to reach near-term OEMs and Government EV goals

- Diesel replacement will require 250% of current supply
- Meeting 2030 EU emission targets implies 50% EV penetration or 200% of current supply
- China’s and India’s long term goals will require 400% of current supply

<table>
<thead>
<tr>
<th>Demand</th>
<th>tonnes of LCE Required/Year</th>
<th>% of Total 2018E Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% Diesel</td>
<td>658,125</td>
<td>244%</td>
</tr>
<tr>
<td>EU Emission Proposal (50% Evs)</td>
<td>541,627</td>
<td>201%</td>
</tr>
<tr>
<td>15-25% of Daimler Sales</td>
<td>29,250</td>
<td>11%</td>
</tr>
<tr>
<td>25% of VW Sales</td>
<td>121,875</td>
<td>45%</td>
</tr>
<tr>
<td>25% of Big 3 German OEMs</td>
<td>187,688</td>
<td>70%</td>
</tr>
<tr>
<td>Tesla Gigafactory - Phase 1</td>
<td>24,375</td>
<td>9%</td>
</tr>
<tr>
<td>Tesla Gigafactory - All Four Phases</td>
<td>97,500</td>
<td>36%</td>
</tr>
<tr>
<td>China, Current Goals</td>
<td>97,500</td>
<td>36%</td>
</tr>
<tr>
<td>China, @15% EV Penetration</td>
<td>176,963</td>
<td>66%</td>
</tr>
<tr>
<td>China, @40% EV Penetration</td>
<td>471,900</td>
<td>175%</td>
</tr>
<tr>
<td>India, 7m vehicles by 2020</td>
<td>341,250</td>
<td>126%</td>
</tr>
</tbody>
</table>

Assumptions: 75kWh battery pack, 0.65kg LCE/kWh, global car fleet growing at 3% pa

* European Commission and European Council have agreed to reduce avg. CO2 emissions by 37.% in new cars by 2030; implying 50% EV penetration
China – Transformation Velocity

**EVs are a strategic industry under “Made in China 2025”**
- Industry of the future
- License restrictions on Tier 1 Cities for non NEV
- Shanghai license plate auction reached 87,400 Yuan (USD $12,650)
- Nearly impossible to add new ICE capacity as of 1/10/2019
- Subsidies shifting to long range NEV, >300 km
- E-bus dominance domestically and internationally
- Shenzhen’s reaches 99% e-taxi penetration at 2018 Year end (21,689 e-taxis)
- Up 61% in 2018 reaching 5.4% NEV penetration in 2018 and 10.3% in December

**Importance Globally**
- China accounts for 29% of global auto sales, 80% of global auto sales growth
- 160mm autos, doubling auto fleet every five years

**Impact on Oil**
- $160b of annual oil consumption, 70% imported
- Auto penetration at 15%, Japan at 60%, West at 80%
- China at 60% = $1.7 trillion of annual oil consumption (=53% increase to global oil production)
- Taiwan Strait, Sea of Japan, East China Sea become bigger geo-political issues
- Growing dependence on Russia, Middle East and US

**“War on Pollution”**
- 1mm premature deaths per year
- Pollution is growing risk to political stability (Chengdu protest/Under the Dome)

**Chinese NEV Sales (000s)**

**Chinese companies acquiring lithium resources**
- Gangfeng invests C$174m in Lithium Americas
- Tianqi for Nutrien’s 32/$4.5b stake in SQM
Growth of EVs and Lithium Demand

Estimates from analysts/consultants range from 10% to 25% EV penetration by 2025; this would require +300-400% more lithium supply.

Long-term estimates call for EV penetration to increase to 60-80% levels, requiring 4x 2018 supply.

| Assumptions: 75kWh battery pack, 0.65kg LCE/kWh, global car fleet growing at 3% pa |
|---|---|---|

Livent (previously FMC Lithium) estimates 12% EV penetration by 2025, equivalent to 1 MM tpa LCE demand based on a car by car model in consultation with global OEMs.
UBS on Lithium Demand

Per November 2018 report, UBS estimates 17.5m electric vehicles in 2025 or 1.15m LCE tonnes.

Lithium is the Commodity most-Impacted by Growth in EVs...

Lithium supply must increase 30x in a 100% EV world

% Lift in Battery Material Demand from 100% EV Penetration

- Lithium: 2898%
- Cobalt: 1928%
- Rare earths: 655%
- Graphite: 524%
- Nickel: 105%
- Copper: 22%
- Manganese: 14%
- Aluminum: 13%
- Silicon: 0%
- Steel: 0%
- PGM: -53%

Source: UBS Securities
Deconstructing Volkswagen’s Demand

Volkswagen is the #1 automaker in the world and fully committed to EVs

- Has secured 150 GWH of battery capacity annually by 2025 via a €50 billion procurement order
- VW foresees annual demand of 300GWH+ from Asia and Europe alone
- Demand to increase ~10x from 2020 to 2025; company forecasts imply at least 20k tonnes of LCE demand in 2020 vs. ~1k in 2018

Source: VW 1Q19 Presentation, Company data
Additional Sources of Demand

Lithium Royalty Corp.
Urban Mobility an Overlooked Growth Driver

- Urban mobility encompasses two wheeled vehicles such as scooters, bicycles and motorcycles

- As of December 2017, there were 700 million urban mobility vehicles in China almost exclusively powered by lead-acid batteries

- 27m urban mobility vehicles were sold in China in 2017

- Lithium-Ion technology represented 2.6% of all urban mobility vehicle sales in 2017 but it is quickly displacing lead

Lithium has many advantages over lead acid such as:

- Three times longer battery life
- Weight convenience
- Environmental friendly and easily recyclable

Converting the existing Chinese urban mobility vehicle fleet equates to

~500k tonnes of demand or nearly 200% of 2018E demand

Assumptions: 75kWh battery pack, 0.65kg LCE/kWh
Source: CIC
Corporate Interest Level High

Albemarle announces 50% joint venture with Mineral Resources for Wodgina for USD$1.15bn

Daimler to buy $23 billion of battery cells in EV push

VW announces it will spend $50 bn on electrification, digitalization, autonomous, and new mobility from 2019-2023. VW announces it has sourced batteries for 50 million electric cars.

Mitsui and Co. of Japan provides $30mm off-take financing for Sigma Lithium Resources

Albemarle acquires 50% interest in Mineral Resources Wodgina project for $1.15 billion

BMW announces option to acquire USD425 million shares in Chinese battery manufacturer CATL (largest electric vehicle battery manufacturer globally) following reports of BMW’s USD 4.7b battery procurement contract with CATL in July 2018

LG Chem announces $2 billion investment in Car Battery Plant in China

CATL Raises USD $840 million in initial public offering as it seeks to increase battery capacity to 50GWH by 2020 from 12GWH

BYD Signs agreement to build 20GWH battery plant in Chongqing, China for USD $1.4 billion

Softbank invests $100 million into Nemaska Wabouchi project (Quebec)

Toyota fully funds $361 million Orocobre phase 2 production (Argentina)

VW announces $48 billion in battery purchase contracts

SQM acquires 50% stake in Kidman Bald Hill project (Australia)

Posco pays $280 million for assets from Galaxy Resources (Argentina)

Kidman signs take-or-pay off-take agreement with Tesla for 25% of production ($165 million per year)

BMW signs lithium-ion battery contract with CATL for $1.1 billion

Tianqi announces agreement to acquire 32% of SQM from Nutrien (Potash Corp) for $4.5 billion

Gangfeng, Posco, Great Wall Motors and General Lithium all sign long term off-take agreements for $100 to $150 million per year from Pilbara Minerals

Gangfeng invests $174 million in Lithium Americas

Nextview (Chinese SOE) acquires Lithium X for $232 million
Lithium

Demand

Supply
5x - 10x increase in production over 10 years
Quadrupling?

Quadrupling of supply can occur but is uncommon, capital intensive - **without precedent**

**Quadrupled;**
**100 Years Ago**

**Quadrupled;**
**Over 30 Years Ago**

- **Ratio of Current Production to Production 10 Years Ago**
- **Ratio of Current Production to Production 10 Years Ago (US Natural Gas, US Crude Oil)**

- **Ratio of Current Production to Production 10 Years Ago (Rare Earth World Production, Rare Earth Unit Price (RHS))**

Source: EIA, Goldman Sachs Global Investment Research

Source: USGS, Goldman Sachs Global Investment Research
Past Supply Shortfalls

US Geological Survey indicates 14mm tonnes of global reserves; equivalent to 80 years of current production.

Lithium is abundant but economically scarce due to low grade and prevalence of impurities.

Purification for battery grade applications is complex, capital intensive and expensive.

Roskill production estimated released in 2012 called for 690kt Lithium Carbonate (LCE) production by 2017.

- 2016 actual production was 175kt
- Current 2017 production estimates are 210kt (30% of original forecast)
- Reasons: low quality resource, un-delineated resource, inadequate pre-engineering, brine brownfield difficult

WHAT IS EXPECTED IS NOT ALWAYS DELIVERED

Supply Growth is Challenging

Universal Mining Constraints
- Capital
- Labour
- Cost increases
- Bottlenecks

Specific to Lithium
- Technical issues
- Resource inconsistency
- Geopolitical risk
- Environmental issues
- Lack of expertise
- Complex chemistries
- Elevation (14,000 ft)
Recent Supply Shortfalls

Industry is still facing issues ramping up supply in a timely manner
Incumbent advantage evident in ratio of capacity successfully ramped up
New entrants are required to satisfy demand growth as ~15-30% of the market in 2018 was supplied by new entrants

Source: Orocobre
<table>
<thead>
<tr>
<th>Albemarle - La Negra II</th>
<th>Min Res / NeoMetals – Mt. Marion</th>
<th>Orocobre - Olaroz</th>
</tr>
</thead>
<tbody>
<tr>
<td>February 2012 – Rockwood announces $140m investment to expand production at La Negra; expects to increase annual production from ~25k tonnes to 50k tonnes by the end of 2013 (Source: Rockwood Sustainability Report)</td>
<td>October 2010 – Project approved for development</td>
<td>April 2009– JORC compliant Scoping Study calls for 15k tonnes of production at capex of $80-100m USD</td>
</tr>
<tr>
<td>July 2015 – Announces commissioning of 20k tonnes La Negra II carbonate plant; expects commercial quantities by 3Q15</td>
<td>September 2015 – Announce the start of construction phase; expect first production from the project in mid-2016</td>
<td>October 2010– Anticipates 2012 production start</td>
</tr>
<tr>
<td>February 2016 – Announces permission to increase extraction rates from the Salar de Atacama</td>
<td>November 2016 – Announces commissioning of the plant</td>
<td>May 2011– DFS updates capex to $207m USD and operating cost of $1,512/tonne (for 16.4k tonnes)</td>
</tr>
<tr>
<td>2017 – Delivered ~2-3k tonnes of material from La Negra II</td>
<td>February 2017 – Delivers first lithium concentrate shipment</td>
<td>December 2013 – Announces project construction is 70% complete</td>
</tr>
<tr>
<td>2018 – Estimated to have produced up to 40% of nameplate capacity</td>
<td>FY2018 – 55% of product is high grade (6% concentrate) and 45% is low grade (4% concentrate)</td>
<td>November 2014– First primary lithium carbonate production</td>
</tr>
<tr>
<td>5 years to deliver first commercial quantities</td>
<td>CY1Q19 – MIN produces 6% material for 66% of production, remainder is 4% product</td>
<td>CY 4Q15 – Produces 937 tonnes</td>
</tr>
<tr>
<td></td>
<td>3 years from first construction and production is still producing low grade material</td>
<td>April 2018 – Lowers production guidance from 14k tpa to ~12.5k tpa (71% operating rate). Cost of production at $4,356/tonne</td>
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<td>FY2019- still operating at close to ~12,500tpa; 72% of nameplate</td>
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<td>8 years to reach 50-75% operating rate</td>
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<td>Operating costs ~3x initial expectation</td>
</tr>
</tbody>
</table>
New Supply

Salar de Atacama is the largest lithium mine in the world, 28% of total global production

75,000 tpa of expected production

Incremental LCE demand of 500,000 or 1,000,000 tonnes per year is equivalent to 7 to 15 new Atacama’s over the next 7 to 10 years

The Atacama evaporation ponds are 1,700 hectares or 4,200 acres in aggregate
  ▪ Central Park = 349 ha, 840 acres
  ▪ 1 Atacama = 5x Central Parks

1 Atacama = 5x Central Parks
Supply In Context - Salar de Atacama

500k – 1,000k tpa would require 7-15 new Atacama's to meet coming demand

= 35 – 75 Central Parks or ~2.5x Manhattans

= US$6 bn to $13 bn billion of capex @ $15,000/tonne capital intensity
Project Status Updates

Takeaways from recent project developments

• Operating costs increase by 25-50% from initial feasibility studies
• Capex 50%-100% higher than initial projections
• Delays common
• Environmental and political risk is increasing, likely to lend to further delays and less new production
• 484,000 tonnes of expected new supply is either delayed or facing material increase in costs or both

<table>
<thead>
<tr>
<th>Name</th>
<th>Country</th>
<th>Company</th>
<th>Status</th>
<th>Capex Change</th>
<th>Opex Change</th>
<th>Op Cost Current</th>
<th>Op Cost Expected</th>
<th>% Change</th>
<th>MS Start Date</th>
<th>LRC Start Date</th>
<th>Est. Nameplate Capacity (LCE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Caucharí - Phase 1</td>
<td>Argentina</td>
<td>Lithium Americas</td>
<td>Delay: +1 Year</td>
<td>No Change</td>
<td>No Change</td>
<td>$2,495/t</td>
<td>$2,900/t</td>
<td>16%</td>
<td>2019</td>
<td>2020</td>
<td>25,000</td>
</tr>
<tr>
<td>Caucharí - Phase 2</td>
<td>Argentina</td>
<td>Lithium Americas</td>
<td>Delay: +1-2 Years</td>
<td>No Change</td>
<td>No Change</td>
<td>$2,495/t</td>
<td>$2,900/t</td>
<td>16%</td>
<td>2020</td>
<td>2022</td>
<td>25,000</td>
</tr>
<tr>
<td>Sal de Vida</td>
<td>Argentina</td>
<td>Galaxy</td>
<td>Delay: +1 Year</td>
<td>Increase: +25%</td>
<td>Increase: +1%</td>
<td>$3,410/t</td>
<td>$3,760/t</td>
<td>10%</td>
<td>2020</td>
<td>2022</td>
<td>25,000</td>
</tr>
<tr>
<td>Salar de los Angeles</td>
<td>Argentina</td>
<td>NextView</td>
<td>Delay: +1-2 Years</td>
<td>No Change</td>
<td>No Change</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2020</td>
<td>2022+</td>
<td>20,000</td>
</tr>
<tr>
<td>Olaroz Expansion</td>
<td>Argentina</td>
<td>Drocobre</td>
<td>Delay: +6 Months</td>
<td>No Change</td>
<td>Increase: +25%</td>
<td>$4,640/t</td>
<td>$4,500/t</td>
<td>-3%</td>
<td>2020</td>
<td>2020</td>
<td>25,000</td>
</tr>
<tr>
<td>Salar del Rincon</td>
<td>Argentina</td>
<td>Rincon</td>
<td>Delay: +1-2 Years</td>
<td>Increase: +81%</td>
<td>Increase: +93%</td>
<td>$4,000/t</td>
<td>$5,500/t</td>
<td>38%</td>
<td>2021</td>
<td>2022+</td>
<td>25,000</td>
</tr>
<tr>
<td>Bald Hill</td>
<td>Australia</td>
<td>Tawana</td>
<td>Producing: 6 Months Delayed</td>
<td>No Change</td>
<td>Increase: +50%</td>
<td>$660/t</td>
<td>$600/t</td>
<td>-9%</td>
<td>2018</td>
<td>2018</td>
<td>20,000</td>
</tr>
<tr>
<td>Mt. Holland</td>
<td>Australia</td>
<td>Kidman</td>
<td>Delay: +3-6 Months</td>
<td>Increase: +107%</td>
<td>Increase: +43%</td>
<td>$293/t</td>
<td>$365/t</td>
<td>25%</td>
<td>N/A</td>
<td>2021</td>
<td>45,000</td>
</tr>
<tr>
<td>Pilgangoora - Phase 1</td>
<td>Australia</td>
<td>Altera</td>
<td>Producing: 1 Year Delayed</td>
<td>Increase: +17%</td>
<td>Increase: +20%</td>
<td>$330/t</td>
<td>$350/t</td>
<td>8%</td>
<td>2018</td>
<td>2018</td>
<td>27,500</td>
</tr>
<tr>
<td>Pilgangoora - Phase 2</td>
<td>Australia</td>
<td>Pilbara</td>
<td>Producing: 9 Months Delayed</td>
<td>Increase: +54%</td>
<td>No Change</td>
<td>$205/t</td>
<td>$350/t</td>
<td>71%</td>
<td>2018</td>
<td>2018</td>
<td>39,000</td>
</tr>
<tr>
<td>Wodgina - Phase 1</td>
<td>Australia</td>
<td>Mineral Resources</td>
<td>Delay: +3-6 Months</td>
<td>No Change</td>
<td>No Change</td>
<td>$296/t</td>
<td>$375/t</td>
<td>27%</td>
<td>2018</td>
<td>2019</td>
<td>31,000</td>
</tr>
<tr>
<td>Whabouchi</td>
<td>Canada</td>
<td>Nemaska</td>
<td>Delay: +1 Year</td>
<td>No Change</td>
<td>No Change</td>
<td>$296/t</td>
<td>$375/t</td>
<td>27%</td>
<td>N/A</td>
<td>2021</td>
<td>11,000</td>
</tr>
<tr>
<td>Authier</td>
<td>Canada</td>
<td>Sayona</td>
<td>Delay: +6 Months</td>
<td>Increase: +40%</td>
<td>No Change</td>
<td>$350/t</td>
<td>$375/t</td>
<td>7%</td>
<td>N/A</td>
<td>2022+</td>
<td>30,000</td>
</tr>
<tr>
<td>Rose</td>
<td>Canada</td>
<td>Critical Elements</td>
<td>Delay: Environmental Permit Issues</td>
<td>No Change</td>
<td>No Change</td>
<td>$373/t</td>
<td>$390/t</td>
<td>5%</td>
<td>N/A</td>
<td>2022+</td>
<td>30,000</td>
</tr>
<tr>
<td>Atacama Expansion</td>
<td>Chile</td>
<td>SQM</td>
<td>Delay: +1 Year</td>
<td>No Change</td>
<td>No Change</td>
<td>$2,500/t</td>
<td>$5,000/t</td>
<td>140%</td>
<td>2018</td>
<td>2019</td>
<td>20,000</td>
</tr>
<tr>
<td>Atacama Yield Expansion</td>
<td>Chile</td>
<td>Albemarle</td>
<td>In Question</td>
<td>No Change</td>
<td>No Change</td>
<td>$2,500/t</td>
<td>$5,300/t</td>
<td>112%</td>
<td>-</td>
<td>-</td>
<td>65,000</td>
</tr>
<tr>
<td>Sonora</td>
<td>Mexico</td>
<td>Bacanora</td>
<td>Delay: Failed Equity Financing</td>
<td>Increase: +91%</td>
<td>Increase: +46%</td>
<td>$3,930/t</td>
<td>$4,900/t</td>
<td>25%</td>
<td>2020</td>
<td>2021</td>
<td>17,500</td>
</tr>
</tbody>
</table>

Average 32%  Total 484,000
Supply — The Rhetoric Vs. Reality

Supply side response continues to lag – delays in project construction, commissioning and capacity expansions, as well as product quality issues remain a challenge

- Supply growth continues to disappoint
  - Combination of operational, execution and financing challenges
- Development assets coming online late and are facing continued ramp-up and commissioning challenges
  - Operating costs higher than anticipated in study work
- Environmental, licensing and execution challenges have led to delays in several greenfield project expansions
- Highly leveraged balance sheets and expensive cost of capital pose high risk in a lower commodity price environment
- Australian concentrate or DSO out of the ground does not necessarily translate to effective chemical LCE’s supplied into the China market

<table>
<thead>
<tr>
<th>Project</th>
<th>First Production Guidance</th>
<th>Actual First Shipment</th>
<th>2018E Sales (LCE)</th>
<th>2018TD Sales¹ (LCE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atacama</td>
<td>na</td>
<td>na</td>
<td>55kt</td>
<td>30.5kt</td>
</tr>
<tr>
<td>Pilgangoora³</td>
<td>Q1 2018</td>
<td>Q4 2018</td>
<td>11kt</td>
<td>1.1kt²</td>
</tr>
<tr>
<td>Pilgangoora⁸</td>
<td>Q4 2017</td>
<td>Q4 2018</td>
<td>16kt</td>
<td>0.7kt²</td>
</tr>
<tr>
<td>Bald Hill³</td>
<td>Q1 2018</td>
<td>Q2 2018</td>
<td>17kt</td>
<td>4.7kt²</td>
</tr>
<tr>
<td>Olaroz</td>
<td>na</td>
<td>na</td>
<td>17kt</td>
<td>8.9kt</td>
</tr>
<tr>
<td>La Negra ²</td>
<td>2016</td>
<td>2017</td>
<td>14kt</td>
<td>Est. 6kt</td>
</tr>
<tr>
<td>Wodgina²⁴</td>
<td>Q4 2018</td>
<td>na</td>
<td>85kt DSO 6kt</td>
<td>22kt DSO -</td>
</tr>
</tbody>
</table>

Source: Investment Banking Research, Company disclosure

Notes:
1. As at 30 September 2018
2. Includes shipments completed in early October
3. Assumes 9 tonnes of lithium concentrate per 1 tonne of LCE
4. Analyst estimates
Supply Response

LRC Global Supply Model

1. 30% of 2012-2017 estimated supply came online
   - Must risk adjust new capacity additions
2. Marginal cost of production is going from $6,500 to $9,000
   - Operating costs are understated, do not include royalties or sustaining capex
3. Low impurity, high grade resource is limited
4. Technical expertise is limited
5. Greenfield and Brownfield brine projects are capital intensive, complicated non-uniform chemistry and extended timelines
6. New process flow sheets and process technologies will be challenged
7. Direct Shipping Ore will come out of market due to processing issues and high cost ($14,800/T)
8. Scale of supply response to meet demand is massive
   - 10 new Atacamas required, 1 every year for 10 years
   - Equivalent of $9b capex
9. LRC estimates 500k+ tonnes of expected supply as extremely high risk to come into production
   - Challenges such as high costs, high reliance on by-products, low grade, jurisdiction risk, new technology/flowsheet
Benchmarking Costs

LRC Global Supply Model – Normalized Costs

1. Add government royalties, privately owned royalties
2. Add marketing fees
3. Exclude by-product credits
4. Add sustaining capital costs

**Typically, costs are 14-18% higher than reported cash costs and as high as 90-150% for others**
Spodumene and DSO Economics

<table>
<thead>
<tr>
<th>DSO Economics</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Tonnes of DSO Ore</td>
<td>2,000,000</td>
</tr>
<tr>
<td>Price/ore ($ USD)</td>
<td>130</td>
</tr>
<tr>
<td>Costs for Ore ($ m)</td>
<td>260</td>
</tr>
<tr>
<td>Ore Grade</td>
<td>1.40%</td>
</tr>
<tr>
<td>Lithium Content</td>
<td>28,000</td>
</tr>
<tr>
<td>Concentrate Grade</td>
<td>5.00%</td>
</tr>
<tr>
<td>Total Spodumene</td>
<td>560,000</td>
</tr>
<tr>
<td>Recovery</td>
<td>45.00%</td>
</tr>
<tr>
<td>Recovered spodumene</td>
<td>252,000</td>
</tr>
<tr>
<td>Concentrate Processing Cost/tonne</td>
<td>200</td>
</tr>
<tr>
<td>Concentrate Processing Costs ($ m)</td>
<td>50</td>
</tr>
<tr>
<td>Concentrate Recoveries</td>
<td>85.00%</td>
</tr>
<tr>
<td>Concentrate</td>
<td>214,200</td>
</tr>
<tr>
<td>Conversion to LCE</td>
<td>8.5</td>
</tr>
<tr>
<td>LCE Tonnes</td>
<td>25,200</td>
</tr>
<tr>
<td>Conversion to LCE Cost/tonne</td>
<td>2,500</td>
</tr>
<tr>
<td>Conversion to LCE Cost ($ m)</td>
<td>63</td>
</tr>
<tr>
<td>Total Costs</td>
<td>373.40</td>
</tr>
<tr>
<td>Costs per tonne of LCE</td>
<td>14,817</td>
</tr>
</tbody>
</table>

Source: Company Data, LRC estimates
China cost based on CRU estimates for Yichun and Maerkang mines.
Conclusion

With greater scale and innovation battery costs are continuing to decline making EV’s cheaper and longer range.

EVs are set to reach cost parity with internal combustion engines in the early 2020s.

EV ranges of 500km+ are increasingly common eliminating range anxiety as a concern for consumers.

Industry investment is accelerating with over $215bn of sunk capital.

2025 demand targets imply supply must grow 4x the 2018 market.

Market requires near perfect execution of high grade projects to satisfy demand in 2025.

The lithium market has consistently seen production shortfalls.

Supply will be higher cost and arrive later than the market expects.