

PALOS

CONTENTS

Weekly Commentary

Issue No. 23 | JUNE 6, 2022

Lithium Americas Corp.	1
Palos Funds vs. Benchmarks (Total Returns)	3
Disclaimer & Contacts	4

By *Charles Marleau CIM[®]* and *William Mitchell CIM[®]*

Lithium Americas Corp.

Lithium Americas Corp. (LAC: TSX, NYSE) is a Canadian-based Lithium exploration and production company. LAC is currently focused on advancing two significant projects. The Caucharí-Olaroz project, located in Argentina, and the Thacker Pass project located in Nevada.

The Caucharí-Olaroz project is expected to begin producing approximately 40,000 tpa (tonnes per annum) of lithium-carbonate in 2022 (Phase I). Most of the heavy equipment is on site and infrastructure work is complete. Commissioning is expected in the second half of this year. The Caucharí-Olaroz mine is a joint project with Chinese partner **Ganfeng Lithium (GL)**. GL holds a 51% interest while LAC holds 49%. Following the commissioning of Phase I, expansion to Phase II should commence, offering the potential to add an additional 20,000 tpa.

LAC's other major project is the **Thacker Pass (TP)** mine located in Nevada. TP is 100% owned by LAC and has been in development since 2008. The project has been planned with the objective of minimizing the environmental impact by incorporating plans to reclaim the mined areas through backfilling, minimize water use, using robust emissions reduction systems and sourcing energy from renewables. As of Q2/2022, all environmental permits have been secured, a feasibility study is ongoing with results imminent, and a final investment decision is expected this year. Phase I of the Thacker mine is anticipated to produce 40,000 tpa of lithium-carbonate and has the potential to double production from potential future expansion (Phase II).

With growth in demand for electric vehicle (EV) batteries expected to rise dramatically in coming years, finding new sources to keep up with demand is crucial for the wider adoption of EVs. Unlike internal combustion engine (ICE) vehicles where gasoline supplies are essentially unlimited, battery production can be restricted by a shortage of materials that includes lithium, cobalt, nickel and manganese. Lithium is required to produce the lithium-ion batteries (Li-ion) that are used in consumer electronics products like laptops and mobile phones as well as EVs. Lithium prices continue to soar. To meet rapidly rising demand, new lithium mining operations must come online otherwise, the cost differential of building the battery pack versus an ICE driven vehicle could halt the EV revolution in its tracks.

By Charles Marleau CIM[®] and William Mitchell CIM[®]

Governments around the world have pledged to support the EV industry. Incentives for purchasing an EV are available in most provinces and both the federal and provincial governments have made pledges to support expansion of the EV battery industry. In May, the U.S. government announced a USD\$3.2 billion Infrastructure Bill that is intended to support domestic battery manufacturing. The law recognizes the need to address the shortages and supply chain vulnerabilities of the critical materials that will be needed to expand battery production. This includes lithium. Some analysts are expecting lithium demand to increase ten-fold over the next 20 years.

Lithium Americas is led by an experienced and diverse management team that possesses decades of collective experience in the global lithium mining industry. The company has a strong balance sheet with over \$500 million in cash and equivalents. Management and directors have “skin in the game” as they hold approximately 17 percent of shares outstanding. In addition, partnering with Ganfeng adds technical expertise in mining and production. Presently, lithium production is dominated by countries like Australia, Argentina, Chile and China. Given the scale of LAC’s two major projects, we believe the company is in a good position to supply a significant amount of the burgeoning North American demand for lithium-carbonate.

While the future looks bright for LAC, it is important to monitor the investment thesis and continually weigh the risks. While it’s clear that massive amounts of lithium will be required to meet battery demand and achieve mandated emissions reduction targets, community opposition, legal challenges to new mining operations, politics, and increased scrutiny on environmental impacts are potential headwinds. Although we are confident that the need for emissions reductions will support EVs and lithium production, as prudent investors we remain mindful that the nature of this investment remains mildly speculative. We will be following events closely.

Follow us on LinkedIn:



Chart 1: Palos Domestic Funds versus Benchmarks (Total Returns) ¹	FundServ	NAVPS	YTD Returns
Palos Income Fund L.P.	PAL100	\$9.40	-2.55%
Palos Equity Income Fund - RRSP	PAL101	\$6.99	-3.17%
Palos Merchant Fund L.P. (Dec 31, 2021) ²	PAL500	\$1.16	24.67%
Palos WP Growth Fund - RRSP	PAL213	\$15.79	-16.57%
Palos-Mitchell Alpha Fund ³	PAL300	\$9.71	-5.53%
S&P TSX Composite (Total Return with dividends reinvested)			-0.93%
S&P 500 (Total Return with dividends reinvested)			-13.23%
S&P TSX Venture (Total Return with dividends reinvested)			-23.31%
Chart 2: Market Data ¹			Value
US Government 10-Year			2.93%
Canadian Government 10-Year			3.06%
Crude Oil Spot			US \$118.87
Gold Spot			US \$1,845.40
US Gov't10-Year/Moody BAA Corp. Spread			211 bps
USD/CAD Exchange Rate Spot			US \$0.7940

¹ Period ending June 3rd, 2022. Data extracted from Bloomberg

² Fund is priced annually

³ Fund is priced weekly on Tuesdays

Weekly Commentary

Issue No. 23 | JUNE 6, 2022

Disclaimer:

This publication is proprietary to Palos Management Inc. (along with its affiliate Palos Wealth Management Inc., “Palos”). This publication may be copied, downloaded, stored in a retrieval system, further transmitted, reproduced, disseminated, and/or transferred, in any form or by any means, but only as long as it is unaltered and attributed to Palos. This publication and its contents may not be sold or licensed without Palos’ written permission. The information and opinions contained herein have been compiled or arrived at from sources believed reliable but no representation or warranty, express or implied, is made or implied regarding accuracy or completeness. The information provided does not constitute investment advice and it should not be relied upon on as such. If you have received this communication in error, please notify us immediately by electronic mail or telephone. This document may contain certain forward-looking statements that are not guarantees of future performance and future results could be materially different. Past performance is not a guarantee of future performance. “S&P” is a registered trademark of Standard and Poor’s Financial Services LLC. “TSX” is a registered trademark of TSX Inc. The Bloomberg USD High Yield Corporate Bond Index is a rules-based, market value weighted index engineered to measure publicly issued noninvestment grade USD fixed rate, taxable, corporate bonds. To be included in the index a security must have a minimum par amount of 250MM.

PALOS

1 Place Ville Marie, Suite 1670
Montreal (QC) H3B 2B6, Canada

T. +1 (514) 397-0188

F. +1 (514) 397-0199

1 St. Clair Avenue East Suite 504
Toronto, Ontario M4T 2V7

T. +1 (647) 276-0110

F. +1 (647) 343-7772

www.palos.ca