

**Introduction:**

Good morning/afternoon/evening, my name is Lindsay, and I will be your conference operator today. At this time I would like to welcome everyone to the Lithium Americas conference call to discuss the US\$174 million strategic investment by Ganfeng Lithium. All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question & answer session. If you would like to ask a question during this time, simply press \* (star) then the number 1 on your telephone keypad.

If you would like to withdraw your question, please press the # (pound) key. Thank you! This call is being recorded and will be available later today for replay.

I would now like to turn the call over to Tom Hodgson, Chief Executive Officer and Director. Mr Hodgson you may begin your conference.

**Tom Hodgson:**

Thank you, Operator. Ladies and Gentlemen, I want to welcome you all to our call this morning to discuss our announcement yesterday of a major strategic investment by Ganfeng Lithium. We appreciate you taking the time from your busy schedules to join us this morning. With me is my partner, John Kanellitsas, our Vice Chairman and President of Lithium Americas. We will take your questions after our prepared remarks.

The terms of the investment will be available on our website and on SEDAR. Furthermore, I remind you that this call will include forward-looking statements. Please refer to the forward-looking statement language on slide two of the investor presentation on our website.

We are very pleased to be having this call this morning. We thought it was important to outline the major components of the investment by Ganfeng, to give some background colour, and to be able to answer your questions.

As you would imagine, yesterday's announcement is the result of a lot of work that has been underway for nearly a year since we announced our JV agreement with SQM last March. On the back of that agreement with SQM, this agreement with Ganfeng is a huge milestone in moving the Cauchari-Olaroz project towards production, and a huge milestone in our company's history.

In that regard, I would like to express my sincere thanks to the teams of people on both sides, inside and outside LAC who have been instrumental in finalizing our agreement. Their commitment and persistence will benefit all our stakeholders and shareholders.

## **So Who is Ganfeng?**

For those of you unfamiliar, Ganfeng Lithium is China's largest integrated lithium producer. The company was founded in 2000 and is listed on the Shenzhen stock exchange with a market cap of around \$3 billion US. Besides owning a 43% stake in the Mt Marion hard rock lithium project in Australia, the company owns significant downstream capacity in China and produces a number of lithium products including lithium metal, lithium carbonate, lithium fluoride, and lithium chloride. Ganfeng is, notably, the largest producer of lithium hydroxide in China.

## **And why did we select Ganfeng as our partner?**

Because we see a strong alignment and strategic value in this relationship. Ganfeng is a leading lithium company with a strong technical background and expertise in downstream lithium processing technology. Lithium Americas provides Ganfeng geographic diversification and the ability to secure supply of lithium carbonate, from a project at the low-end of the cost curve. Besides the critical fact that Ganfeng is providing attractive funding to move the Cauchari-Olaroz project quickly forward towards production, we see a real opportunity for future collaboration with Ganfeng in the broader lithium industry.

## **Terms of the Agreement:**

The strategic investment by Ganfeng consists of three parts:

First, Ganfeng is investing \$64 million Canadian, by way of a private placement at \$0.85 per share, in exchange for a 19.9% equity position in Lithium Americas. Once the private placement is completed, Ganfeng will become LAC's largest shareholder and, as part of this strategic investment, will be entitled to a board seat, and certain anti-dilution protections.

Second, Ganfeng has agreed to provide Lithium Americas \$125 million US in debt to fund the capital costs of the Cauchari-Olaroz project. The debt facility has a term of 6 years, and will bear a coupon rate of 8% for the first three years, 8.5% in the fourth year, 9% in the fifth, and 9.5% in the sixth. The facility is secured against a portion of our interest in the Minera Exar joint venture company which owns the Cauchari-Olaroz project. We would expect to repay or refinance this facility once production has started from the project.

Third, Ganfeng is entering into an offtake agreement to purchase up to 70% of LAC's share of lithium carbonate production from Stage 1 of the Cauchari-Olaroz project.

If you recall, in August last year, SQM and LAC announced that the board of the 50/50 joint venture company, Minera Exar, had authorized the project to proceed towards a target of 50,000 tonnes of lithium carbonate production per annum, but to be developed in two stages of 25,000 tonnes per annum, each. The offtake agreement with Ganfeng applies to the first stage, which is targeted to start production in 2019,

and applies the same pricing and terms to the lithium carbonate sold to them as those received by our JV partner SQM for its 50% share – that is to say, a full market price.

We expect Ganfeng's investment to close around March 31, once final regulatory reviews and Ganfeng's shareholder approval has been completed. Ganfeng has agreed to immediately invest \$10 million in our shares, which we will use to continue to advance the Cauchari-Olaroz project in the short term.

**Benefits of the transaction:**

We see a number of financial and strategic benefits from this investment and partnership with Ganfeng.

On the financial side, and this is key, we provide a path towards fully financing our share of the Cauchari-Olaroz project, in a manner than minimizes dilution to current shareholders. The debt package Ganfeng is providing will fund approximately half of our share of the capital costs. And from a financing perspective, we maintain 30% of our offtake on stage 1 production, providing us with a number of options to secure additional funds for capital expenditures. Of all financing proposals we received, the Ganfeng offer was the least dilutive to current shareholders.

Strategically, we maintain our 50% interest in Cauchari-Olaroz project as equal partners with SQM. On the portion of off-take we have committed to provide Ganfeng, we are selling at market with no discount - the same price the joint venture will receive from SQM.

**Next Steps:**

Of course, you are all keen to understand the timeline for moving things forward. With the terms of the new financing package in place, the focus now shifts to updating our feasibility study, and starting construction. In terms of timing, we expect the results of the updated feasibility study to be announced in the next few weeks. Keep in mind this update will relate only to Stage 1 - the first 25,000 tonne of production, and will verify SQM's engineering work to a National Instrument 43-101 standard. We are targeting a formal construction start date in the first half of 2017, with production then on track to start in 2019.

Now before opening up the call to questions, I want to make some personal comments on our approach to the financing challenge, and also our approach to partnering. On the financing side, we were very sensitive to the view in the marketplace that in order to move our project forward on time, we were going to do a financing that would be massively dilutive to the current shareholders. It is important for you to know that our management and our board are significant LAC shareholders. In total, management and the board represent around 17% of our shares currently outstanding. So we were, in fact, very focused on raising our capital in a way that minimized shareholder dilution. And this deal with Ganfeng, where roughly three quarters of the funding is in the form of attractively-priced, non-dilutive debt, in our view, very much fits that bill.

Just as importantly, I want to comment on our approach to partnering. When we announced the SQM Joint Venture last spring, we took some flak. Some people said SQM would never move the project forward, they

would just put it on ice – well, nothing could be further from the truth. Cauchari-Olaroz is a very high strategic priority within SQM. Other people said, “Oh the big company will crush the little company – they will force you to do a massively-dilutive financing, or to lose the project” – again, nothing could be further from the truth. We selected SQM as a partner because we believed, and continue to believe, that they are the best operators in the lithium brine space, and they have been great partners – totally-ethical, smart, strongly-committed, and very supportive of our own fundraising efforts. Does that mean we agree on everything? Of course not, but we work through the challenges openly and collaboratively. All in all, I can’t say enough about what great partners they have been, and continue to be.

In a similar vein, we have been able to attract great internal partners to our LAC team in North America and South America, and I am incredibly proud of that. Partnership is the culture of our management group.

We have been able to attract great partners to our share register. As a prime example, our second largest shareholder, Bangchak Petroleum in Thailand, is very focused on the green energy revolution, smart, innovative, and have been very supportive of all our efforts.

And I am absolutely certain that our new relationship with Ganfeng is in exactly the same category. It is not just about the money. That is important. It is not just about money. We share a common vision for the future of the lithium space. They are innovators, they are people of integrity, and they have built, and continue to build, a great company. I know they will contribute mightily our on-going efforts to build a great company at Lithium Americas. I couldn’t be more pleased about their involvement.

Operator, that concludes our formal remarks, so we are now ready to take questions.