

Today's Notes:

1. Lithium

1. LITHIUM

There was news this week that a Korean Company Korean Resources, (KORES), has completed a deal with Lithium One on its Sal de Vida Lithium Brine Project in Argentina. Here again we witness the lead in technology being assumed in the emerging economies – for the most part of Asia. Chris Tibbs and I serve as advisors to Harp Capital. Harp was the advisor to Lithium One in this deal.

There is no doubt in my mind, after chairing Robert Carriere's superb "Electrification" seminar in Switzerland, that battery technology is one of the three legs of the electrification stool critical to the world in the next 30 to 40 years¹. There may, in fact, be plenty of Lithium being produced from companies such as SQM but demand for the material will increase significantly as researchers continue to find new ways to employ the electric metal.

Just today the journal, MIT Technology Review published advancement in lithium air batteries (also called lithium-metal-air batteries) for large scale applications.

Lithium-metal batteries approach the energy density of fuel cells without the plumbing needed for these devices; in theory, the maximum energy density is more than 5,000 watt-hours per kilogram, or more than 10 times that of today's lithium-ion batteries. Lithium metal-air batteries are also very lightweight because it's not necessary to carry a second reactant. Lithium metal is "*the holy-grail battery material*," says Steven Visco, chief technical officer and founder of PolyPlus.

In the meantime the KORES/Lithium One deal is as follows:

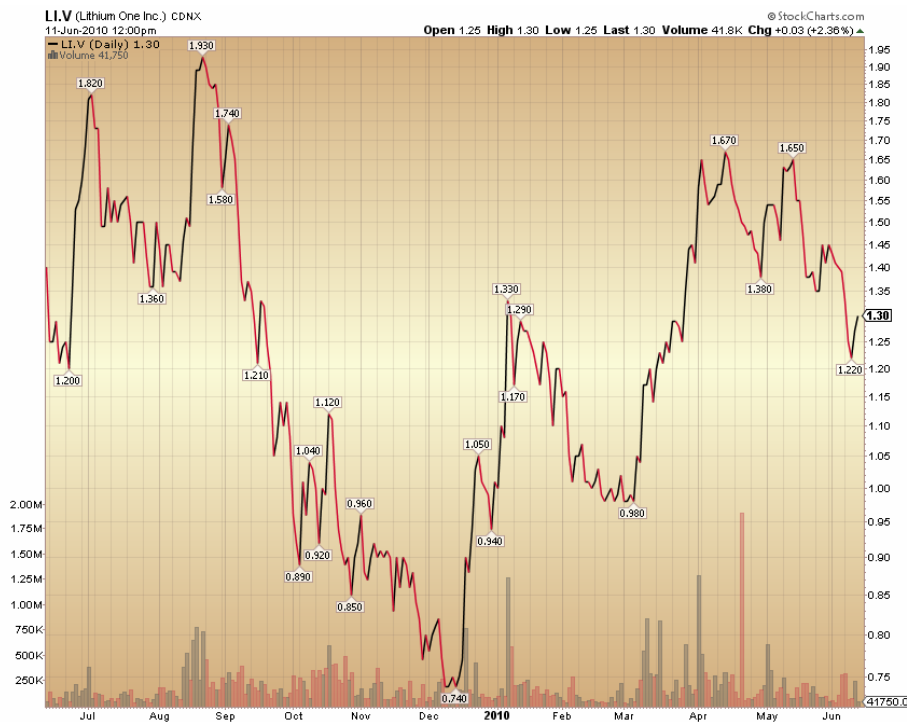
- KORES to earn 30% project interest by funding up to US \$15 million towards a resource development program and delivering a Definitive Feasibility Study.
- KORES to provide Project Completion Guarantee.
- KORES to purchase up to 50% of lithium and to have certain marketing rights for lithium in China, Japan and Korea.
- Lithium One retains rights to market 100% of the future potash production.
- KORES signs MOU with GS Caltex and LG International to complete a consortium.

¹ The other two "legs to the stool" are nuclear and natural gas base load electrical generation and development of the national smart electrical grid.

Martin Rowley, Chairman of Lithium One commented on the implications of the arrangement:

“This is a landmark agreement for Lithium One that confirms Sal de Vida as a world-leading lithium and potash brine project. KORES have completed extensive due diligence before entering into this arrangement, confirming the quality of the Project and our management team. A key component of our strategy has been to secure a major joint venture partner with the financial, technical and commercial strength and expertise to work with us to jointly develop Sal de Vida. The Korean consortium of KORES, GS Caltex, and LG International far exceeds our expectations in this regard. This consortium will yield significant dividends during the feasibility stage by providing expertise and input into our further understanding of end-user demand and product specification requirements of the high quality lithium market. With our Korean partners, our team now has all the resources necessary to ensure delivery of an outstanding new operation that can supply a low-cost product to the global battery market in a timeframe to meet the rapidly growing demand for lithium battery packs for electric and hybrid vehicles.”

Congratulations to Harp Chairman Jonathan Buick on this important and successful advising assignment.



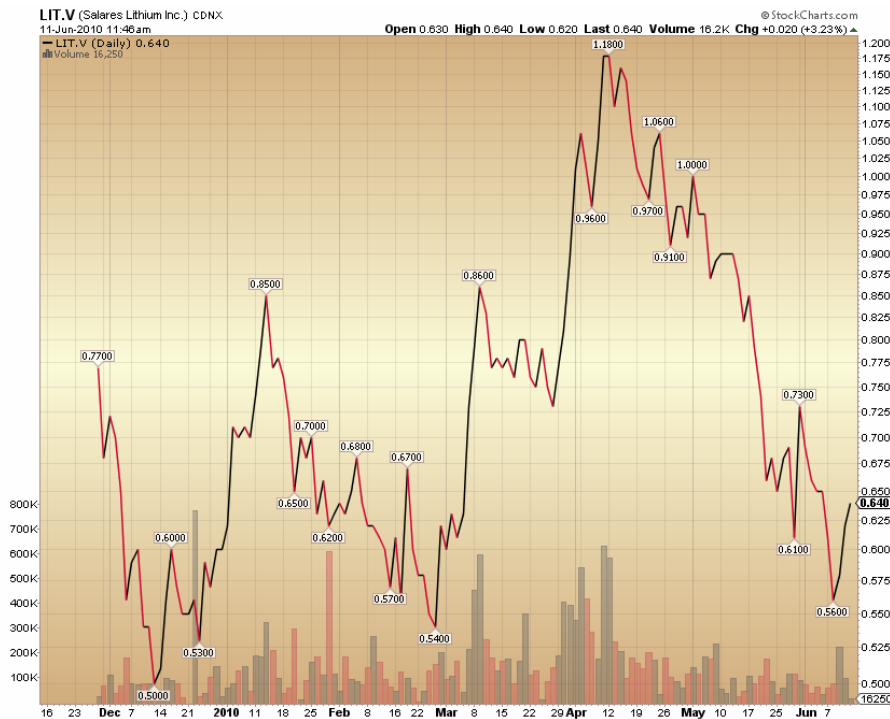
Success at another lithium company is in the works as well. Salares Lithium (LIT TSXV) has signed a 3,000 meter diamond drill contract. The program is designed to test selected parts of the interpreted brine bearing horizon (reservoir rock) at the Salar de la Isla, a Chilean brine lake 26km long and 6km wide. The depth of the known interpreted brine bearing horizon is less than 300 meters.

Drilling will begin very shortly, once the base camp near to the Salar de la Isla is completed. P.K. Mendies of Santiago, Chile, has been contracted to construct and be responsible for the 25-30 person winter camp. Todd Hilditch, LIT's CEO said.

"While we are all frustrated by the weather delay, management is determined to advance the exploration program as fast as is safely possible. Both the General Manager (Chile) and the V.P. Exploration will be onsite early next week to oversee the camp construction and get the drilling phase initiated immediately thereafter,"

Salares Lithium controls the 'Salares 7' lithium project made up of seven salares in Region III, Chile. Five of the seven salares are clustered within 155 kilometers and are 100% owned by the Company and its Chilean partner.

The LIT shares have been under pressure after peaking over \$1.20 in April. Last month SQM, one of the largest lithium potash producers, overstaked LIT's exploration permits. LIT in turn re-staked their Salares with exploitation permits. The point is that this action by SQM attests to the growing importance of this important lithium resource. Very shortly we will know the size and grade of these brine lakes. The drilling is about to commence and the drill is always the truth machine.



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