

Dajin Resources, #Lithium Activities in Argentina Meaningfully De-Risked

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On October 27, 2016 **Dajin Resources Corp.** (“Dajin”) (TSX-V: DJI) (OTC: DJIFF) (Germany: C2U1) announced the completion of a **share purchase agreement** with **Lithium S Corp.** (“LSC”), granting LSC the right to earn a 51% interest in the Company’s South American subsidiary, **Dajin Resources S.A.** (“Dajin SA”). LSC can earn 51% with a cash payment of C\$1.0 M (*paid*) and by incurring expenditures of C\$2.0 M on mineral concessions, (*or concession applications*), held by Dajin S.A. In addition, LSC injected a further C\$500,000 by subscribing to common share units in Dajin. Importantly, Dajin now has virtually no capital requirements in Argentina until LSC earns its 51%. Therefore, the C\$1.5 million in cash from LSC can be used to fund the Company’s activities in Nevada. More about Nevada later, this article is about activities in Argentina.



As a result of this transaction, **Dajin** (Market Cap \$18 M) has graduated from one of about a dozen publicly-traded, non-producing lithium juniors in Argentina, [*up against peers like **Lithium Americas** [TSX: LAC] (Market Cap \$235 M), **Lithium X Corp** [TSX-V: LIX] (Market Cap \$145 M) and **Neo Lithium Corp** [TSX-V: NLC] (Market cap \$85 M)*], to part of a larger, highly prospective lithium brine play. Dajin SA has hitched its wagon to LSC, who is working with privately-held **Enirgi Group**, which in turn is wholly-owned by **The Sentient Group** of Global Resources Funds. The Sentient Group has over \$2 billion in assets under management, mostly in metals, minerals & energy assets across the globe.

Who is LSC Corp? Who is Enirgi Group?

LSC was co-founded by mining entrepreneurs and financiers **Stephen Dattels & Michael Beck** for the express purpose of acquiring, exploring and advancing green field lithium brine projects in the heart of the, “*Lithium Triangle*,” in northern Argentina. Dattels & Beck have considerable financing and deal making expertise, vast experience in natural resources, and a track record of successful ventures around the world. LSC has entered into option agreements on a number of mining properties and exploration permits (*including concessions held by Dajin SA*). LSC is in an ideal position, the right place at the right time, in collaboration with a premier partner, **Enirgi Group**.

Enirgi Group is a global, diversified industrial and specialty chemicals company that owns and operates a portfolio of world-class assets around the world. Management has publicly announced intentions to make a major move into lithium through the **Salar del Rincón** project, its advanced lithium project in Argentina. As part of Rincón, the management team plans to build and operate a 50,000 tonne per annum lithium carbonate processing plant at Rincón, located in the province of Salta, Argentina. This project, featuring Enirgi’s proprietary Direct Extraction Process (“**DEP**”) technology, is backed by a Definitive Feasibility Study boasting an after-tax NPV(9%) of \$1.36 billion. As a frame of reference, Rincón would be approximately 3 times the size of **Orocobre Ltd’s** current operational target of 17,500 tonnes/yr. LCE. Further, Enirgi believes that the quality of its processed lithium products is superior to that of most others.

Since 2008, approximately \$200 million has been invested in the Rincón Project, including the construction of a commercial-scale demonstration plant. The Group's Chemicals division employs over 85 individuals on site and in Salta, Argentina. The project is supported by a team of over 100 mechanical & electrical engineers from Enirgi's Innovation Division in Sydney, Australia.

"...is pursuing its longer-term plan to increase its production capacity by scaling the Rincón Project into a larger Regional Processing Facility that will utilize Enirgi Group's game-changing DEP Technology for the development of the Salar del Rincón..." — **July 21st Press Release**

More important for LSC & Dajin is the plan to,

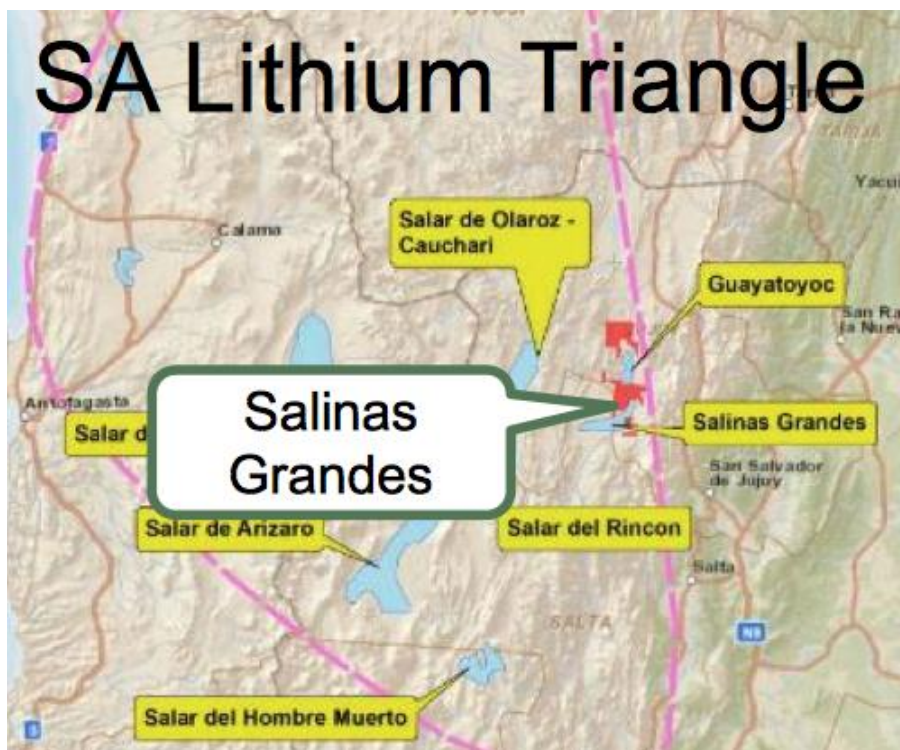
"...leverage the application of the DEP technology to other lithium brine resources in the region. Strategies may include applying DEP Technology at other lithium salars... and/or securing and supplying brine feedstock for the Rincón Project from other lithium brine salars." — **July 21st Press Release**



Besides **FMC Corp** [NYSE: FMC], **SQM** [NYSE: SQM]/LAC and Orocobre, there's probably no other company capable of becoming a major player in lithium, in Argentina, in the next 3-4 years. This simple fact is very encouraging for LSC, and by extension – Dajin SA's concessions in the Salinas Grandes, see map.

But enough about Enirgi, how does this all pertain to LSC? To Dajin?? Here's the key. Last summer, Enirgi and LSC entered into a MOU with respect to a strategic collaboration on the exploration and development of their combined lithium properties, exploration permits, provincial concessions (*excluding Salar del Rincón Properties*).

Therefore, LSC's raison d'être is largely to support and compliment, by prudent exploration, Enirgi's grandiose lithium dream. Next in line on the gravy train is Dajin. LSC needs to have viable lithium deposits at the ready to feed Enirgi's ascent to lithium stardom. And, Dajin SA is playing a significant role by contributing a sizable portfolio, one that enhances what LSC brings to the table, for the benefit of all parties. The portfolio contains 93,000 hectares (230,000 acres), within 25 concessions, in Salinas Grandes, Argentina.



The Dajin story unfolding in Argentina reminds me of Lithium Americas' announcement in March 2016 of a JV with giant lithium producer SQM. When that news hit the tape, my initial reaction was lukewarm, at best. I thought that LAC selling half its flagship **Cauchari-Olaroz** project was a great deal for SQM, but not necessarily for LAC. However, I failed to appreciate the tremendous benefits SQM is contributing to the project by providing critical financial backing and very substantial technical / managerial experience. The probability of LAC owning 50% (*instead of 100%*) of a prominent mine soared, as did the stock price.

I see a similarity in LSC's vote of confidence in Dajin's Argentinian lithium portfolio. The financial terms mentioned in the opening paragraph are important, but even more important is that the probability of Dajin ultimately owning 49% (*instead of 100%*) of an economically viable project, is considerably higher, and the Company probably has at least a year before it will need to contribute a meaningful amount of cash, if warranted. Yet, Dajin's stock price is down 36% (*in line with the sector*) since the **August 8th announcement** of the now completed LSC/Dajin transaction.

LSC & Dajin — betting heavily on Enirgi Group, not a bad bet!

If the Rincón project is successful, the processing plant could potentially be expanded to accept additional lithium brine feedstock, or modular DEP plants could be built on the concessions found to have economically viable resources. Enirgi has effectively outsourced the lithium exploration and development business, (*outside of its own Rincón project*), to LSC. Any property that's acquired, optioned or controlled by LSC, (*including properties controlled by Dajin SA*) will be prudently advanced.



Therefore, instead of butting heads with a growing list of lithium juniors with designs on Argentina, Dajin now has a clear path towards potentially monetizing its highly prospective concessions. As mentioned, LSC is responsible for the first C\$2 million of project expenditures and has already banked C\$1.5 million in cash from LSC.

At the risk of beating a dead horse, to recap, if Enirgi and LSC make a big splash in northern Argentina, Dajin will be in the enviable position of being able to raise capital on favorable terms to maintain its 49% stake, or monetize some or all of it. In the meantime, Dajin does not need to deploy additional capital in Argentina. Instead, management will spend a lot more time and resources in Nevada, where it has 3 attractive prospects, **Teels Marsh, Gabbs Valley & Alkali Lake**.

More on these projects in my next update of **Dajin Resources Corp.** (“Dajin”) (TSX-V: DJI) (OTC: DJIFF) (Germany: C2U1).

Corporate Website

December 2016 Corporate Presentation

Interview of Dajin Director Catherine Hickson (Audio)

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