Epstein Special Report
Nevada Energy Metals’ Project Generator Model Creates Industry Buzz

Natural Resources, Technology and Special Situations
Equity Research by Peter Epstein, CFA
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As big a deal as Tesla Motor’s gigafactory in Nevada is, tremendous growth in the energy metals sector is taking the world by storm on a global scale. Benchmark Mineral Intelligence reported that industry leaders Japan and South Korea experienced record high levels of lithium-ion battery exports in 2016. Shipments from Japan were up 17% in the first half and 31% in the second half while South Korea recorded its largest shipments to date, up 26% on 2015. This incredible growth in lithium demand is one of the reasons that Nevada Energy Metals (TSX-V: BFF, OTCQB: SSMLF, Frankfurt: A2AFBV) on my radar.

And it’s not just the batteries whose demand is growing across the globe. According to RnRMarketResearch in the first half 2016, global eclectic vehicle and plug-in hybrid electric vehicle sales reached 549,000, up 72.8% from the previous year with China alone increasing their sales by 343%, and for those of you who struggle with math, that means that in one year, sales have more than tripled, yes that says TRIPPLED. Outside of China it’s worth noting that both the Netherlands & Norway are looking to ban the sale of fossil-fuel vehicles by 2025. The trend is undeniable.

It may have started with trailblazers like Tesla but we now find that nearly every car company is decisively moving into the electric transportation arena. What once was a niche market is quickly becoming a grueling competitive landscape that has only begun to unfold.

Nevada's Lithium Hub... Worth Careful Consideration

If lithium demand trends continue this upward momentum into the next decade, Nevada may be worth more than just a quick glance. The mining friendly state has some notable upsides, and is well worth investigating further. For those willing, and able to stomach high risk, certain early-stage Nevada lithium juniors could be winners. If one decides to go down that path, a project generator business model is a good way to approach the sector. Nevada Energy Metals Inc. “the Company” [TSXV: BFF] [OTCQB: SSMLF] [Frankfurt: A2AFBV] is a well funded, early-stage energy metals company, focused on lithium brine deposits, in the State of Nevada. Despite diversified exploration risk through ownership or control of 7 properties (representing one of the largest lithium claims holdings in the State) the Company’s pure-play lithium brine exposure in Nevada is a concentrated bet. For those believing that the future of Li-ion batteries is quite bright, a “project generator” business model makes utmost sense. A project generator strategically stakes high potential land and negotiates joint venture partnerships that cover the costs of all future exploration while still maintaining the ability to “cherry pick” select projects to develop 100% in house.
Nevada Energy Metals Maintains a Solid Capital Structure Consisting of:

- 92.8 million shares outstanding, plus 7.5 million stock options & 38.3 million warrants
- That’s a total of 138.5 million fully-diluted shares. On September 2, 2106, The Company’s market cap was C$ 12 million (US$ 9.3 million) with nearly C$700k in cash and cash equivalents with zero debt.
- Management believes that anyone investing directly into Nevada’s “Lithium Hub” should carefully consider Nevada Energy Metals and its project generator model as a way to articulate a bullish bet on lithium.

Nevada Energy Metals’ 7 Nevada State Lithium Projects:
**Dixie Valley**: Project has 6 blocks *907 claims on 18,195 acres (7,363 hectares)* that cover the majority of the Humboldt Salt Marsh playa in Churchill County.

**Big Smokey River (BSV)**: Project consists of 160 claims on an area of 3,200 acres (*1,295 hectares*) in northern Big Smokey Valley (“BSV”), Nye County, Nevada. Encouraging sampling results were announced on August 31st.

**Black Rock Desert**: Project consists of 128 claims on 2,560 acres (*1,036 hectares*) located in the southwest of Black Rock Desert, Washoe County, NV.

**Clayton Valley BFF-1**: Project comprises 77 claims encompassing 1,740 acres (*704 hectares*) directly abutting the area of brine production of Rockwood Lithium, a subsidiary of [Albermare Resources](https://www.albermare.com) (NYSE: ALB).

**Alkali Lake**: Project’s 191 claims are located 7.5 miles (12 km) northeast of Albemarle’s Silver Peak solar evaporation ponds and about 12.5 miles (20 km) from Pure Energy Minerals Clayton Valley exploration project. Sediment sampling on Alkali Lake confirmed the presence of near-surface lithium grading from 73 ppm to 382 ppm.

**Teels Marsh West**: Project consists of 100 claims covering 2,000 acres (*809 hectares*) at Teels Marsh, Clayton Valley, NV.

**San Emidio**: Project consists of 155 placer claims on approximately 3,100 acres (*1,255 hectares*) in the San Emidio Desert, Washoe County, Nevada.

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**Option Agreements and Incoming Capital - The Project Generator Model:**

**On the Clayton Valley BFF-1 Project**, Nevada Energy Metals has received US$100k and will receive an additional US$200k plus 1.2 million shares of American Lithium over the next two years for a 70% option of this property. Further, over the next three years, American Lithium will cover the exploration costs of US$1 million on the BFF-1 project.

**On the Dixie Valley Project**, Nevada Energy Metals has received 2 million shares of Wildcat Exploration Ltd (Wildcat), with the potential for another 4 million over the next 2 years. They are also to receive US$200,000 cash, further to that, Wildcat is required to incur eligible exploration expenditures of US$ 1.25 million over the next 3 years while Nevada Energy Metals retains a 3% NSR while optioning out 100% of the property.

This means that in addition to the exploration costs being covered on these properties, Nevada Energy Metals has or will receive US$ 400,000 (*about C$520k*) cash, plus cash equivalents with unlimited growth potential.

Nevada Energy Metals has the ability to both obtain control of new Lithium targets and spread portfolio exploration and funding risks through option agreements and joint ventures. This trusted and risk reducing strategy has proven highly successful in prior natural resource bull markets.
Experienced Management, Board & Advisory Group:

**Rick Wilson** – Mr. Wilson has been in the mining and natural resource industry for over twenty years. He serves as Director, President & CEO. Since 2006, Rick has been President of a company engaged in the acquisition, exploration & development of mineral resource properties. Prior to serving as its President, Rick was a Director from 1993 to 2006. Rick is also a Director of **Wildcat Exploration Ltd**.

**Tim Fernback (CPA, CMA)** – Mr. Fernback has over 20 years’ experience in financing and managing small-cap companies throughout North America. He has held multiple senior executive positions, including oversight of the Investment Banking & Corporate Finance Divisions at **Wolverton Securities**, where he was responsible for due diligence on corporate clients & investment banking. Mr. Fernback also serves as a Director for several Canadian mining companies.

**Malcolm Bell** – Mr. Bell has over 45 years of resource industry experience either as principal, Director, or senior officer of private & public companies. He is an advisor for project acquisitions within the company.

**Bill Macdonald** – Mr. Macdonald is a founder and principal of Macdonald Tuskey, Corporate & Securities Lawyers, a boutique securities and corporate finance firm. Bill is on the Advisory Board for the Company.

**And the Company’s most recent addition: Randy Avon** - His proven track record of locating rare business opportunities, negotiating projects, as well as negotiating joint ventures/option agreements is a perfect fit to further the project generator model and to provide expertise to the advisory board. Mr. Avon is a former member of the Florida Legislature, formerly President and CEO of four World Trade Centers and Corporate and Financial Consultants (CFC). CFC completed over **$8 Billion of infrastructure projects with E.F.Hutton and Prudential Bache** prior to forming Asian Pacific Development Corp, a company that with its global partner network, has completed over **18 billion dollars** in global infrastructure projects in 22 nations.
Concluding Thoughts:
In my opinion, there do exist some project generators that are overly diversified, weighed down by assets in multiple metals/minerals across a number of jurisdictions, but Nevada Energy Metals may be the diamond in the rough. The sweetest spot exists when a company with the right strategy and with the right expertise makes its mark in the right sector. Pure play, early-stage, Nevada lithium brine exploration juniors offer attractive investment opportunities, albeit with commensurate risk profiles. Project generators like Nevada Energy Metals could help minimize that risk and could potentially be big winners should lithium fundamentals remain as robust as they appear to be today. And as always.... Do your due diligence.

Peter Epstein, CFA, MBA, reaches out to retail and high net worth investors, mostly by writing compelling articles and written interviews of CEOs and Industry Experts. Unlike many investment bloggers, Peter has a background in company analysis, including being designated a Chartered Financial Analyst, (CFA) and an MBA in accounting at NYU Stern School of Business.

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