

THE WALL STREET TRANSCRIPT

Connecting Market Leaders with Investors

Pan American Lithium Corp. (PL.V)



ANDREW BRODKEY is currently President and CEO of three junior mining companies, Pan American Lithium Corp., Zoro Mining Corp. and Pacific Copper Corp. He has been a mining industry professional for more than 25 years, working with and for Fortune 100 companies, as well as junior mining entities. He has worked as a mining engineer, a mining lawyer and in minerals business development. Mr. Brodkey earned a bachelor's degree in mining engineering from University of Arizona in Tucson before obtaining a law degree at Creighton University in Omaha.

SECTOR — METALS & MINING

TWST: Please give us a brief historical overview of Pan American Lithium.

Mr. Brodkey: Pan American Lithium is pretty much a brand new company. It went under the name of Etna Resources, which was until December of last year and was nothing more than a shell that traded on the Toronto Stock Venture Exchange. In December of 2009, we closed a transaction whereby a number of Chilean lithium-bearing properties were vended into the shell in exchange for a good number of shares from the shell coming out to the owners of the projects, myself included. So beforehand really the company wasn't much of anything, and we made it obviously a story and gave it life in December of last year, when these interests in nine Chilean salar properties were transferred and traded into the shell. The name change is very recent. We just last week effected with the regulatory approval from the Toronto Stock Venture Exchange the name change from the Etna into Pan American Lithium. Obviously, it more appropriately and accurately describes what the company does. It is a lithium company. We are a lithium exploration company, a junior mining company. We have a lot of brethren, smaller companies that are trying to break into the market. And it's a brand-new sort of burgeoning market that's opening up many possibilities in the mining industry. This typically happens when a commodity is getting a lot of attention, you see lot of companies springing up overnight, so to speak, and coming up with properties and deposits, and we are just one of the crowd that's doing this. By analogy, four or five

years ago there was a huge boom in the uranium markets when uranium had been languishing at roughly \$6 a pound for many years, and the U.S. uranium industry had been on a hiatus really since back in the 1980s, post Three Mile Island. Suddenly the uranium price shot up to \$50 a pound and got as high as \$120 or \$130, I believe, and we had at one time 1,600 or so uranium companies that were competing for the same space — all small companies just starting up. In the subsequent years, most of those companies disappeared. To a lesser extent in the lithium space, we've seen the same thing happen. And we're one of, I would say, roughly 50 companies that have just recently appeared on the scene. But our story, as you will hear as we move on in the discussion, is one, I think, that's a strong one. We're absolutely planning on being one of the surviving companies and going to be competitive to the marketplace.

TWST: What are the primary drivers behind lithium demand right now? Why is it a good time to be in your business?

Mr. Brodkey: I don't know if you've seen the pronouncement by the Obama administration, but it's to develop sources of power for battery applications, principally automobiles that are clean, and green and efficient. And lithium is, really, probably the best element to use, the best metal to be using today, technologically speaking, for battery applications. Lithium is used for a lot of different things and most people aren't even aware of what lithium is. It's the lightest metal on the periodic table. It's used for a number of different things, including ceramics manufacturing, glass, it is used in the aluminum industry, used

for air-conditioning, polymers and a little bit in the pharmaceutical field. The biggest single use of lithium is in the battery industry, and you will see that your cell phone that you probably have right now on your desk uses a rechargeable lithium ion battery. Cordless tools use them, almost every laptop uses them, MP3 players and video cameras. Principally, just as we've seen the explosion in those sorts of electronic devices, the utilization of lithium-ion batteries in cars has become a main driver of the development of lithium. Even though the lithium industry itself has been growing roughly, call it, 3% to 4% or 5% a year overall, the biggest single category of demand drivers is in the battery usage of lithium, and today it's roughly 30% of all lithium demand in the world, but it's growing at a 25% rate per year. It just keeps burgeoning. So that's really what gave rise to the boom in lithium-mining companies trying to come to the front.

TWST: Tell us about your projects in Mexico. Why did you choose that site, and where are you in terms of securing the financing you need for that project?

Mr. Brodkey: The answer is we don't know what the right number is today. The capital requirements will be known after we complete our feasibility study and engineering work. Let me give you a broader picture of the company first for a second. We chose the sites that came in December, that essentially started the company because they were in the country of Chile, our Chilean salars. Chile is a wonderful country to do business in. I've personally been working in South America for almost my whole career in the industry, which is more than 25 years. And Chile, in my opinion, is the most stable pro-mining country in the region, very supportive of the industry and historically has fostered a very strong mining industry. So the interests we have in the nine separate projects were vended in December with the expectation that we're in a jurisdiction that we found very comfortable dealing with. I am not sure if in the U.S. this registers much more than a little blip in the radar, but last week there was an election in Chile and the center-right candidate, Mr. Piñera, who is the Head of LAN Chile, the airline, a multibillionaire in his own right, was elected. We liked Chile the way it was even when it was left leaning; it was still a very good place to do business if you were in the mining industry. But the result of the election can only be more beneficial for companies in our industry. Now Mexico is another jurisdiction we feel very comfortable with, very pro-mining. Our project is in Baja California, Norte. It's literally 20 kilometers south of the City of Mexicali, which is right on the border between California and Mexico. Our project in Mexico is an interesting project, but let me first give you little background on the geologic differences between the lithium mining projects.

In the lithium space, you find really two or three types of main projects. You find projects that are hard-rock projects, like a gold mining project or a copper mining project, something that we're very familiar with, and everybody knows how to build and operate. These are usually projects that are higher cost, very capital intensive since you've got to pay for all the exploration, and the drilling and blasting, and then the crushing and ultimately taking the ore to a mill, and then a processing facility. In lithium these hard-rock projects are called pegmatite projects, and there are a lot around the world. But again, they're sort of high in the

cost curve, and that really wasn't the type of prospect we were seeking. You also find lithium inside of muds, clays, again generally high-cost deposits. There are some of these projects around, some in Nevada and other places around the world, but they were too high on the cost curve for us. Our goal from day one was to be as low as possible on the cost curve. We talk about it in terms of being in the lowest quartile of cost globally, and this is something that I absorbed after working for a major mining company for many years. New projects, if you're in the lowest quartile, are the ones that are going to survive. You're going to be around when the price declines. You don't want it to move down, but rather than shut your doors, you'd rather be surviving. So we always try to get the lowest-cost projects inside of where we are heading, and that's what we've done with our Chilean projects and particularly with the Mexican project.

So I mentioned clays, I mentioned pegmatites. Our projects are all brines projects, and here you find lithium that's in solution, in a very high-salt or chloride type of solution that exists usually underneath the earth's surface in different types of deposits, underneath what are called salars. Our salars are all in Chile, and we have sort of interesting salars that have surface waters just like the Great Salt Lake. So it's actually a little better when you have that type of situation. Or in Mexico, we've got a geothermal brines project. These are geothermal solutions that are produced from really deep wells, sometimes one and two miles deep, that have already been drilled by the power plant that exists in Mexicali, the Cierro Prieto power plant, which we described in our literature, which has been in continuous operation since about 1970, which is the second largest geothermal power plant in the world. From their deep wells, the power plant extracts superheated solutions, and when those get to the surface of the wellhead, they vent off the steam, which goes into the power plant to run the boilers and produce power. The liquid fraction produced from the wells is in the form of brines, which is what we want as lithium feedstock, which has always just been considered by the power plant as a waste product. Historically, the power plant has gone ahead and taken those brines, and put them through a series of the evaporation ponds, which they constructed back in the 1970s. The power plant also takes other waste brines from the power generation process and re-injects them back into the underground.

Our Mexican partners actually received a concession in 2002 from the government of Mexico, from the Water Commission, on the brines from the production wells because they recognized their value but had not considered developing them until we got involved in the picture. These brines contain lithium in grades at the evaporation ponds that are economic. The beauty of the whole situation in Mexico is that we're going to use all the work that has been done and capital invested by the power plant over 30, 35 years, probably close to \$1 billion, which we didn't have spend. We get these brines essentially delivered to the surface to us cost-free. All we have to do is engineer, design, go through feasibility and build the downstream processing plants to recover the lithium. So it's going to be cheap in terms of operating costs — no exploration required, the work has already been done by the power plant, and pretty quick to actual production and sale of

lithium products. When you sell lithium in this market, you're generally talking about lithium carbonate equivalent, tons of lithium carbonate, and that's what we're after. So we want to be first on the scene, and we think we're going to be among the earliest of the junior companies that are all vying to satisfy this increase in demand that's been fueled mostly by battery consumption.

TWST: Tell us more about the share option agreement with Escondidas. Is that related to what we've discussed about your Mexican partners?

Mr. Brodkey: No, actually the Mexican partner that has the concessions is a group called CPI Internacional. That's led by an individual who is a very active businessman in Mexicali. I think his primary work is heavy contracting, and his companies have worked at the geothermal power plant on and off, my understanding is, for the last decade or so. He is currently seeking to be the recipient of the contract to expand the power plant. They're

mate of the size of the subsurface deposit, the grades of the lithium and the other metals, and the permeability and porosity of the producing horizon, which hosts the brines. It's an exploration exercise usually fairly protracted in duration, can cost up to a couple of million dollars and take a year, just generally speaking, before you even know what you've got. On the other hand, Pan American's surface brine lakes are going to be very easy targets from which to determine a resource because all we really need to do is a volumetric study on the lake with depth measurements and bathymetric readings to arrive at a volume of the lake. We will also take some samples that after lab analysis will give us confidence about the concentration of lithium and other metals contained in the lake. We haven't had to do any drilling; we haven't had to do a whole lot of geostatistical analysis. It's just the volume of a lake at an average concentration, and there's our resource. We already suspect that the lakes contain economically recoverable lithium grades.

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adding another 100 megawatts of capacity, which we understand as about a \$300 million project. So he is working towards receiving that bid and continuing to work with power plant to complete their expansion. But since his company has the concessions on the lithium brines, our Mexican partners who own the company called Escondidas contracted and entered into a joint venture with CPI to commercialize the brines. Pan American's plan is to buy into Escondidas and take a 76% or controlling interest in Escondidas, which will then give us essentially control of the project. That's what we're doing now.

TWST: That deal is sealed or still in process?

Mr. Brodkey: No, we've signed it, and we are in the middle of doing our due diligence now. We're expecting it to close sometime first quarter, but we're in no hurry. We want to clarify all the — obviously, you want to do your legal and technical due diligence correctly. We expect that whatever the final iteration looks like, it will be closed, like I said, the end of this quarter.

TWST: Where are you with your plans in Chile?

Mr. Brodkey: Recall that I was talking about the geological distinctions, pegmatites versus muds versus brines. All of our salars, in nine different locations, total roughly, call it, 15,000 hectares of concessions, which cover interests in nine separate salars. One interesting feature of our Chilean salars is that on several of them, you actually have surface brine lakes. So you have something that looks sort of like the Great Salt Lake. Almost everybody else that owns salars has to explore the brines under the surface to define their resource. What that means is that you've got to drill through the surface of the salar, which is normally dry and crusty, and looks like a moonscape, with wells, and then start feeding data back, which gives the geologists the esti-

So getting back to your question, our first order of business is to go to these easy, tappable resources, these surface brine lakes, and immediately do a calculation that tells us the amount of contained lithium. Once we know that, we can then proceed to the second step, which is metallurgical processing and process design, followed by feasibility. I hope that you can see the beauty here because everybody else has to drill into their subsurface brines and worry about the producing formation, and design their recovery through the pumping of wells, which are about extracting brines out of subsurface rock. Instead Pan American has a lake, where it is going to be pretty easy to pump. It's just a simple exercise in comparison to our competitors. That's why, again, we think that our Chilean projects are going to be first in time in getting the resource estimates, first in time in taking them to feasibility and first in time in ultimate production, which is the name of the game in the lithium industry today. I mentioned earlier that we've got 60 competitors, and I challenge every analyst I talk to. The questions they have to ask are the ones we're focusing on, since you know that all these companies aren't going to survive. Who's got the real projects? Who's going to be around? Who's going to be building these projects? Who's going to be first? And that's us, I surely believe .

TWST: Korean steel producer POSCO has expressed interest in investing \$5 million in your company. What is the status of that deal?

Mr. Brodkey: We signed a letter of intent in early January and POSCO has roughly 30 days to complete their technical due diligence. That's coming up sometime early next month. They need 30 more days to perfect their legal due diligence before they will tell us if they will actually make the investment.

We've taken their technical experts to the Mexican site. We're actually taking some of their Korean affiliates, which is POSCO Canada, to Mexico next week. And their technical guys we're taking to Chile the week after next so they can kick the tires, and look at the lakes and get a feel for what we've got. But the bigger picture, which you'd like me to talk about, is important. The companies that have strategic partners and off-take relationships with strategic investors like POSCO are the ones I think that are really going to be having a fighting chance to be survivors in the industry. So when you couple where we're trying to be in the overall picture — first to resource definition, ultimately first to feasibility, first to production with an off-take partner built in — I think you've got the best-of-all-worlds recipe for success in a company like ours. POSCO is obviously not a lithium company, but they've got an internal mandate that I think has been publicized. They're expanding out from just being a steel producer into other industries. They have relationships of course in Korea with

hard-rock operations I talked about earlier, caused them to close in Canada, in North Carolina and other places. So the risk is that the big operators today would take a dim view of what we're trying to do, and keep the prices low and discourage entry into the market. However, if I'm right about where I think our company is, then we're going to be very low on the cost curve. And you heard me describe why our costs are minimal in Mexico and very competitive in Chile. The issue with the competitors inside the industry, the smaller guys like us, is that there is room if you're first in the market and you're not completely aggressive with your entry. We understand what the market is telling us — there is a space but it's not huge. Who acts first is going to get there. Don't try to come in and knock the big boys around because you're not going to have any success. Our plan is modest. We want to come in maybe at 5,000 tons to 10,000 tons a year of lithium carbonate to begin with. The total lithium carbonate market today is less than 100,000 tons per year. So if you're careful about this, and you

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the big car manufacturers, and the big cell phone and laptop manufacturers. I think it's pretty wise on their part to position themselves inside a mineral that's becoming important strategically. And it will allow them to expand their relationships with a lot of their current customers, just in a different context. We like them as a partner. They're huge — they're the fourth largest steel producer in the world — and their revenues are \$30 billion, and their net profit was over \$4 billion last year. They are a giant company and a \$5 million investment is little for them, but to us obviously is substantial. To POSCO it is a fairly simplistic decision for them to make.

TWST: Other than the obvious risks, like securing financing and competition, what other risks are out there for you, and how are you preparing to mitigate them?

Mr. Brodkey: I would say that there is always a risk of competition, and I think that our biggest risk is really competitors filling the space faster than we can. There is a limited market space available. The current largest producers of lithium products in the world are focused in Chile. The biggest company is called SQM; we call it Soquimich for short. It's a New York Stock Exchange-traded company, a very large company. They have the most prolific lithium salar in the world in the Chilean region just to the north of us, and it's called the Salar de Atacama. I wouldn't say they absolutely control the price of lithium in the world, but when they cut the prices on their long-term contracts, it's that reverberation that's felt throughout the industry. In the 1980s, they did that exactly. I don't know all the circumstances, but they cut the price of long-term lithium carbonate in the contracts by half and immediately drove some of the higher-cost pegmatite

have a good partner like POSCO coming with you, and maybe others — because they're not the only ones that have approached us about taking a stake in the company or the projects — if you do this the right way, I think you can survive. The companies that won't survive are the ones whose projects are going to be high cost and they also don't have strategic partners lined up. That's where I see us going and everything that you've heard me talk about has been geared towards mitigating our risk.

TWST: Tell us about your professional background and some of the people you've got on your key management team. What are the strengths they bring to your company?

Mr. Brodkey: I'm a mining engineer originally, went to the University of Arizona and graduated in the very late 1970s, and then I proceeded to obtain a law degree and worked at a major private law firm in Denver for a period of time. I then was recruited to become the general counsel of a very large public copper company that had been spun off from Newmont Mining, which is a big name in the industry. Our copper company was called Magma Copper, and when I started in the very late 1980s, we had a market capitalization of only a couple of hundred million dollars. Fast forward to 1996, when we were purchased for \$3.5 billion by BHP Billiton, which is the largest mining company in the world. I stayed on with BHP Billiton in a Senior Executive capacity, managing transactions and deals in mostly the Americas, where I have spent most of my career — a lot of time in South America on various acquisitions. I stayed with BHP for six years and ultimately moved into the business development side, and really worked on acquisitions and dispositions of large projects, and properties and businesses. Following BHP, I went to

a company called CB Richard Ellis, which is principally a global real estate transactor and is the largest real estate firm in the world. I opened up their mining division, their international mining group, where we did a boutique practice of buying and selling mines for our various clients. About three years ago, I was recruited to become the CEO and President of several junior mining companies, one is called Pacific Copper Corporation and the other is called Zoro Mining Corporation. Pacific is obviously a copper company; Zoro is a gold company. Their projects are almost all in Chile Region III and, for overhead purposes, are in very close proximity to and clearly in synergy with Pan American Lithium Corp.'s lithium salars. So everything is nicely located. Those other two companies are traded Bulletin Board Over-The-Counter, whereas Pan American is a TSX, Toronto Stock Exchange Venture company.

One of our partners in Chile is named Harold Gardner. He is not on the board of Pan American or an officer currently but may come on in the future. Hal is an American who lives in Chile and Peru for nine months out of the year, but he otherwise makes his home in Phoenix, where his family lives. He's been on the ground for 25 years, and essentially collecting properties in South America and Latin America. He's the reason why we have nine Chilean salars and the project in Mexico. His incredibly strong contacts have brought all these projects to the company. He's a purveyor of properties not to be matched by anybody. I've never seen somebody that has so many different projects collected over the years. Today I think that in his private Chilean company, there are at least 75 different projects that are available for people to obtain. He also manages all of our on-the-ground activities in Chile. Those are his strengths.

TWST: So you've got a lot of irons in the fire. What would you say are your top goals for 2010?

Mr. Brodkey: For Pan American Lithium, it's to develop resource estimates at our top Chilean salar, which is called Laguna Verde — it's the lake I was telling you about. The lake is 15 square kilometers by an estimated average four meters deep, subject to verification. We want to be able to tell the world that we've got a resource estimate of "X" hundred thousand tons, or whatever the number is, of lithium carbonate, and then that's the number you can take to the bank and geologists will put a stamp on to. It's important for us to tell the world that we have come very far. In Mexico, same thing — we want to be able to say we've come to a strong resource estimate. We want to publish exactly what our lithium content and grade is and how much lithium on a gross basis is contained in the volume of brines on the evaporation ponds that the geothermal wells at the power plant pump and replenish on a daily basis. That should get us light years ahead of most of the junior competitors who will need to undertake the more intense drilling and the other exploration work that I have been describing to you — a lot more laborious than what I think we've got to go through. But for 2010, it's to, as soon as possible yet this quarter, develop those resource estimates, and then immediately hire the right technical experts and begin the metallurgical design work that ultimately tells us what is the right process to recover the lithium. There are only a couple

of them — there is conventional lithium processing and there are more recent advances that can give you a proprietary resin technology to allow you to recover lithium. I'm not going to go into the incredible technical detail, but our goal is to get feasibility commissioned after we get the processing work done yet this year and start bankable feasibility sometime next year, get project funding, and build and commission as soon as we can. Ultimately, we intend to bring these lithium projects into production before the other junior companies, and I'm really saying two to two and a half years before we're actually producing.

TWST: Tell us why an investor would want invest his or her money into Pan American at this point in time.

Mr. Brodkey: Among the lithium junior world, I think we're the best play, and I think we're the best story. We're going to be among the lowest cost. We strive to be the first into production and fill the market space. We've got, it looks like, very strong strategic off-take partners backing us. It's a story that's just come to the market. We're the newest lithium company that's announced anything since we only closed the Chilean deal last month, December of 2009. Now that the analysts are beginning to really understand the lithium space a lot better, we think that the top of the market is our goal and where we're going to end up. Our share price has increased twofold since we just started trading with the new Chilean lithium salars as of December. As everyone learns about the lithium space, I think they're going to start to really understand the distinctions between who's got real projects and who doesn't. Bottom line, I believe Pan American has quality assets, operating in jurisdictions we really like, that are very stable and pro-mining, and the nature of our projects allows us to be first into the market. So if I were an investor I'd really take those sorts of things into account when I put my money into a junior mining company like ours.

TWST: Is there anything we haven't touched on that you'd like to let the investment community know?

Mr. Brodkey: No, that's my typical pitch. The analysts seem to like it. Everybody I've talked to and the analysts are starting to understand what the business is about; they really appreciate our story, and I really think and hope that we're going to be one of the juniors that make it.

TWST: Thank you. (MES)

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