



2 Stocks to Buy As Demand for Lithium Skyrockets

Description

The electric vehicle industry is projected to post massive growth in the coming decades, and this will have far-reaching consequences for a variety of industries. The use and demand for lithium is one such development. Indeed, the race to develop lithium mines has picked up steam over the past several years.

This has also occurred as other miners have fallen out of favour. Gold and silver have stagnated since the 2016 U.S. election. Positive economic numbers and a commitment to rate hikes have generated downward pressure even in the midst of [geopolitical uncertainty](#). Just how large will the growth in lithium demand be over the next decade? Let's take a look.

The market consultancy firm Roskill recently released a report that projected the growth of the lithium market into 2027. It forecast that the demand to produce lithium batteries would increase by 650% over the next decade. The next nine years is expected to drain only 1% of all lithium reserves, but demand for the metal will climb 16% to 1 million tons. Roskill has also projected that demand from lithium-ion battery manufacturers will increase from 46% in 2017 to 86% in 2027.

Lithium prices are expected to peak in 2018 and fall into 2019 as supply floods the market. However, Roskill projects that prices will stabilize and reach previous peaks by 2021. This means that the next two years could provide investors ample opportunity to buy some of the top prospects in lithium mining. Let's look at two today.

Lithium Americas Corp. ([TSX:LAC](#))([NYSE:LAC](#))

I'd [covered Lithium Americas](#) back in June. Shares have moved with the volatile market and month-over-month the stock is down 7.3%. It is down 38% in 2018 so far.

Lithium Americas made some key announcements last month. On June 21, the company announced plans to develop its Thacker Pass project in Nevada. The Thacker Pass project has proven resources of 3.1 million tons of lithium, but will require a different extraction technique as there are no existing lithium-from-clay operations in the world.

Lithium Americas plans to operate an open pit mine for over 40 years that will produce 30,000 tons of battery-grade lithium on an annual basis in the first phase and 60,000 tons in the second phase. The company projects the first phase to cost \$581 million stretching over 21 months and the second phase comes in at a \$478 million estimate and is scheduled to begin in 2025.

Nemaska Lithium Inc. (TSX:NMX)

Nemaska Lithium is a Quebec-based exploration stage lithium mining company. Its stock has plunged 63.4% in 2018 as of early morning trading on July 6. The stock peaked at \$2.44 in late December before plummeting in the first half of this year. Priced in at under \$1 per share currently, it represents an enticing buy-low prospect.

On July 3 Nemaska announced that it had signed deal with a South Korean battery maker that will tie up production until 2025. The agreement with LG Chem will see Nemaska supply 7,000 tons of lithium hydroxide per year on a take-or-pay basis. The five-year period will commence in 2020. Nemaska is one of the lowest cost producers in the world and its current agreements position it well for long-term profitability.

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