



Why Nemaska Lithium (TSX:NMX) Stock Fell 11.5% in September

Description

The stock price of **Nemaska Lithium** (TSX:NMX) continued its decline during September. The stock opened at \$0.26 per share on September 3, the first trading day of the month, and closed at \$0.23 on September 30.

Difficult year for metals and mining companies

It's been a very difficult year for Nemaska. The stock price has fallen almost 70% during the past 12 months. Other metals and mining companies have been disappointing investors as well. The stock prices of **Sierra Metals**, **Trevali Mining**, and **Clean TeQ Holdings** are down 56%, 70%, and 48%, respectively, over the last year.

Nemaska Lithium aims to be one of the largest suppliers of lithium hydroxide, a key component in the rapidly developing lithium-ion battery and energy storage market. The company's most important spodumene lithium hard rock deposits are found in the Whabouchi mine, near the Cree community of Nemaska. The spodumene concentrate produced at the mine will be shipped to the company's processing plant in Shawinigan, Quebec.

Annual financial statement filed

On September 30, the company filed its annual financial statements for the year ended June 30, 2019. The company disclosed its cash holdings of \$128 million in unrestricted cash and cash equivalents to finance its current activities, plus an additional \$40 million in restricted cash and cash equivalents placed in a cost overrun account.

Progress at Whabouchi mine

Financing from The Pallinghurst Group is crucial to work continuing at Whabouchi and Shawinigan. Nemaska has signed an agreement with Pallinghurst to extend the exclusivity period to complete the

financing until December 31, 2019. The total budget for the Whabouchi project is \$1.27 billion.

After a significant construction delay, the work on the Whabouchi mine and the plant in Shawinigan continues. Regarding the status of the projects, Nemaska CEO Guy Bourassa said, "I am very proud of the work done by our teams in the field. Even at a reduced pace of work, progress at the Whabouchi mine has been significant and demonstrates the quality and effectiveness of our Construction and Operations teams. In Shawinigan, detailed engineering is on schedule, and the Phase 1 plant steadily delivers to potential clients as our team continues to improve our processes in preparation for the commercial phase. The dedication of our team to make a great success out of this project remains unwavering."

Earlier in the month, Nemaska received a notice regarding US\$350 million in proceeds from senior secured bonds, held in escrow by Nordic Trustee AS. The notice states that a written bondholders' resolution was approved. This resolution sought approval of bondholders to instruct Nordic Trustee to refrain from effecting any prepayment of the bonds.

Nemaska contends that this resolution, published without their consent, has no legal effect on the corporation or the bond terms. According to Nordic Trustee, on September 13, 2019, the bonds should have been prepaid at par together with accrued interest from the escrow account. Nemaska considers Nordic Trustee to be in breach of its obligations under the bond terms and will take all measures available to it to protect its interests, according to a statement released by Nemaska.

The bottom line

Even as demand for lithium-ion batteries is set to steadily increase, as most of the top automakers [prepare to launch an EV model in the next decade](#), trading in Nemaska stock is highly speculative. With the funding of construction at Whabouchi and Shawinigan in question, investors have reason to be skeptical of a quick turnaround for the company.

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