



Can Nemaska Lithium (TSX:NMX) Stock Double Your Money?

Description

Nemaska Lithium (TSX:NMX) continues to struggle with issues related to financing of its key project. Every day, it's looking less likely that the company will secure the money needed to complete the construction of the Whabouchi mine and Shawinigan processing plant in Quebec. These facilities are crucial to the company's success.

If these facilities were 100% operational, Nemaska Lithium would be one of the largest suppliers of lithium hydroxide, a critical component in lithium-ion batteries. The Shawinigan plant will process the spodumene concentrate produced at the Whabouchi mine, which holds the company's most important spodumene lithium hard rock deposits. The total budget for the project is almost \$1.3 billion.

Bad news

Just two weeks ago, the company announced plans to lay off 64 employees. This downsizing is a direct result of the company's inability to secure financing for the project. While the company maintains its confidence that financing from The Pallinghurst Group will eventually come through, investors have tired of Nemaska's repeated ill attempts to drum up cash. The deadline for the exclusivity period of the financial agreement has already been extended once, and the new deadline has been pushed to December 31, 2019.

Late in September, [Nemaska received a notice regarding US\\$350 million in proceeds from senior secured bonds](#), held in escrow by Nordic Trustee AS. The notice officially informed Nemaska that a resolution, which sought approval of bondholders to instruct Nordic Trustee AS to refrain from effecting any prepayment of the bonds, had been approved.

According to Nordic Trustee, the bonds should have been prepaid at par, together with accrued interest from the escrow account, by mid-September. However, Nemaska considers Nordic Trustee to be in breach of its obligations under the bond terms and contends that this resolution, published without Nemaska's consent, has no legal effect on the corporation or the bond terms. Nemaska has applied to the Superior Court of Quebec to discharge the security relating to the bonds.

Press release sends ominous tone

Prior to these revelations, Nemaska had attempted to downplay its financing troubles. However, with this latest news of the layoffs, Nemaska CEO Guy Bourassa was forced to put out a more ominous press release:

"We have always asserted that we recruited the best talent to make this project a success. We are still deeply convinced of this, which makes this decision all the more difficult. As we cannot confirm the timeline for the resumption of construction, and although negotiations with Pallinghurst are progressing well, this is the responsible decision to be made."

Project delays

As for now, the employees working at the Whabouchi mine are in the process of winterizing the site. Phase one of the Shawinigan plant will be shut down at the end of 2019.

This demonstration plant, which has been operational since early 2017, was a showcase for the entire Whabouchi project. The plant was used to demonstrate the high quality of the finished product and reliability of Nemaska's patented process to produce lithium hydroxide.

The bottom line

Nemaska is unable to provide a timeline for the continuation of construction of the Whabouchi project. As of this writing, the stock is trading at \$0.20, dramatically down from its 52-week high of \$0.88. With financing up in the air and the news continuing to worsen from the company, [investors should be warned to stay away from this stock](#).

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