Tesla Model 3 orders building up, looking good for lithium producers

Tesla Motors says it currently has some 455,000 net reservations for the new Model 3, with the number increasing by 1,800 a day and expects to have some 700,000 reservations in hand by year end.

This augurs well from lithium producers like **Neometals {ASX: NMT}**, and developers such as **Avalon Advanced Materials {TSX: AVL}.**

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Tesla Model 3 roll-out confirms accelerating demand for Electric Vehicles

August 17, 2017

The long awaited first deliveries of the Tesla Model 3 began at the end of July 2017, with 30 vehicles going to Tesla employees, as the company strives towards the goal of 5,000 per week production by December. The Model 3's relatively low US$35,000 starting price and range of up to almost 500km has already attracted considerable consumer interest and has positioned Tesla as a global leader in the emerging electric vehicle ("EV") market.

The growing consumer interest is supported by the driving experience that the Tesla Model 3 offers, which has led to glowing reviews from numerous auto industry commentators, with Motor Trend going as far as to deem it "the most important vehicle of the century."

Tesla says it currently has some 455,000 net reservations for the Model 3, with the number increasing by 1,800 a day and expects to have some 700,000 reservations in hand by year end. Considering total U.S. electric vehicle sales in 2016 were approximately 158,000, with global sales coming in around 777,000, this will represent an exponential leap in EV sales. As a fundamental enabling technology of all of these new EVs being sold, lithium ion batteries will continue to rapidly increase in importance and demand.

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While Tesla has attracted much media attention, it should be noted that this game-changing automotive technology is playing out across the globe, as traditional automakers race to design and bring their own EVs to market. Concurrently, several European governments (and India), are mandating or planning to mandate that all automobiles be electric, with aggressive target dates to reach this goal.

ING Bank's senior economists Max Erich and Jurjen Witteveen note that, *"Electric cars are on a breakthrough, and even faster than we thought. The major reservations people still have – charging infrastructure, range anxiety and pricing – will be overcome within the next seven years."* This has led them to predict that all new cars sold in Europe could be electric by 2035.

The global shift to EVs has major implications for critical material supply chains, and the adoption of these EVs will fundamentally depend upon these same supply chains developing, particularly lithium, the key ingredient in rechargeable batteries. Roskill estimates 785,000 tonnes of lithium carbonate equivalent a year will be needed by 2025 – more than quadrupling current demand, which Benchmark Minerals Intelligence notes will require US$4-5 billion in new investment in the sector.

The supply side will struggle to keep pace and it is clear that many new lithium producers will need to emerge to meet the growing demand. Avalon's advanced Separation Rapids Lithium Project remains well-positioned to participate in the creation of a new North American lithium ion battery materials supply chain.

For questions or feedback, please email Avalon at ir@AvalonAM.com

About Avalon Advanced Materials Inc.

Avalon Advanced Materials Inc. is a Canadian mineral development company specializing in niche market metals and minerals with growing demand in new technology. The Company has three advanced stage projects, all 100%-owned, providing investors with exposure to lithium, tin and indium, as well as rare earth elements, tantalum, niobium, and zirconium. Avalon is currently focusing on its Separation Rapids Lithium Project, Kenora, ON and its East Kemptville Tin-Indium Project, Yarmouth, NS. Social responsibility and environmental stewardship are corporate cornerstones.

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