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COMPANY: Piedmont Lithium Inc. | NASDAQ: PLL
INDUSTRY: Lithium

PRICE (AS OF CLOSE
3/7/2023)

USD 57.14

MARKET CAP
USD 1.1 BN

Piedmont Lithium Inc. (“Piedmont” or the “Company”) is a pre-production lithium stock promotion that boasts a \$1.1 billion market capitalization on the promise that its newly announced Tennessee conversion facility will produce battery grade lithium under a sweetheart supply deal from a Ghana lithium mine. Piedmont claims that revenues and profits will flow from Tennessee in 2025, but we believe that is a fantasy.

In 2021, Piedmont committed to invest over \$100 million into a mine in Ghana through UK-listed junior mining company Atlantic Lithium (“Atlantic”) to secure spodumene offtake. However, our investigation of source documents and Ghana corporate records indicates that Atlantic obtained key Ghana mining licenses by making secret payments and promises of payment to the immediate family of a high-level Ghana politician. Specifically,

Atlantic paid and promised tens of millions of dollars in potential royalties to a company secretly owned by the son of a leading politician known as General Mosquito, who previously served in Ghana’s Parliament as Chair of the Mines and Energy Committee.

In our opinion, evidence of Atlantic’s payments to the son of a high-level politician for mining licenses is textbook evidence of corruption. **Atlantic still needs Ghana’s Parliament to approve and ratify its mining licenses and permits in order to build the lithium mine.** Based on precedents in Ghana and around Africa, including a recent decision by Ghana’s highest court, **we do not believe that authorities in Ghana (including the Parliament) will ratify Atlantic’s mining licenses tainted by corruption.**

We are short Piedmont because without Atlantic’s Ghana supply, Piedmont and any promise of near-term revenue from its much-hyped Tennessee facility are dead on arrival. Without Ghana, industry experts and even a former Piedmont senior executive have confirmed that Piedmont is unlikely to find a source of replacement spodumene. Additionally, **FOIA requests** we obtained from the Department of Energy (“DOE”) suggest that the spodumene from Ghana was important to Piedmont’s grant proposal, meaning that the loss of the offtake agreement, and questions surrounding Piedmont’s own potential liability under the FCPA and other anti-corruption statutes, raise doubt about whether Piedmont will ultimately receive the conditional government funding.

Ultimately, the premise of Piedmont’s valuation is the Company’s claim that it will soon leverage spodumene from Ghana to become a fully integrated lithium hydroxide producer. We think not.

- 1. Corrupt payments to son of high-level politician for mining licenses.** Piedmont committed to invest over \$100 million in London-listed Atlantic to secure 50% of the spodumene offtake from Atlantic’s flagship Ghana lithium mine. Construction of the mine is set to begin this year with production forecasted in 2H 2024. **However, our extensive due diligence of corporate filings and public records in Ghana show that Atlantic secured key mining licenses in Ghana by paying and promising tens of millions of dollars in royalty payments to a Ghana-based company secretly owned by the son of a man known as General Mosquito,** one of Ghana’s highest-ranking politicians who has strong influence in Ghana’s mining sector. General Mosquito was formerly the chairman of the Mines and Energy committee in Ghana’s Parliament. At the time of Atlantic’s acquisition, he was the leader of the party in joint control of Ghana’s Parliament, the legislative body charged with approving all mining licenses in Ghana. Payments and the granting of a royalty to the son of such an influential politician is, in our opinion, textbook evidence of corruption.
- 2. We believe that Atlantic's mining licenses will not be ratified because of corruption. Atlantic still needs Ghana’s Parliament to approve and ratify its mining licenses and permits in order to build the lithium mine.** But Authorities in Ghana, and across Africa, have a history of revoking mining rights obtained via corrupt payments to high level politicians and officials. This is especially true when, like here, General Mosquito is a high-profile member of the opposition political party who has since **lost power**. The highest court in Ghana recently upheld the revocation of a mining license that the previous administration had awarded to a company owned by the brother of Ghana’s previous President. **Critically, local media and politicians in Ghana have already accused General Mosquito of other instances in which he allegedly obtained corrupt payments for government contracts through shell companies owned by his son.** We think this is the exact scheme by which Atlantic obtained key lithium mining licenses. Given that Atlantic must seek ratification of its mining licenses from Ghana’s Parliament, the very body whose members have accused General Mosquito of corruption, we do not believe that authorities in Ghana will approve Atlantic for construction of the lithium mine.

- 3. Piedmont's Tennessee facility is dead on arrival: no available source to replace near term spodumene offtake.** According to Piedmont, Atlantic's Ghana mine is to be the primary source of spodumene for its Tennessee conversion facility. Without Ghana, Piedmont's Tennessee facility, and any promise of material near term revenue from Tennessee, are dead on arrival. Supply of spodumene is so tight that if Piedmont loses its Ghana supply, as we suspect it will, Piedmont cannot simply replace the Ghana spodumene offtake with a different producer's offtake. It's too late for that – there is a massive supply shortage and there is no longer enough near term spodumene production available for offtake, especially the large quantities Piedmont needs to feed the Tennessee facility's capacity. We interviewed a former Piedmont senior level executive about potential offtake options for Piedmont. His response: **Piedmont has no options, it is "locked-in" and "has gotta make it work" with Ghana to make Tennessee work.**

- 4. Piedmont's DOE grant for Tennessee facility imperiled over FCPA questions and lack of spodumene.** Piedmont's stock soared on news that the U.S. Department of Energy selected Piedmont for a \$141.7 million cost-sharing grant for construction of the Tennessee facility. But the grant is not final and expressly subject to further conditions and DOE approvals. **After recent Congressional criticism of Microvast (NASDAQ: MVST), another DOE battery grant recipient, the government is now reexamining all of its battery grants, including Tennessee.** We think Tennessee will be at the top of the chopping block for two reasons. First, without spodumene from Ghana, the Tennessee facility is dead on arrival, meaning the grant will be a waste of government spending that could go to a different company that may actually produce near term lithium hydroxide. Second, there are open questions whether Piedmont knew or should have known of the corruption in Ghana when it applied for the DOE grant. In 2021, Piedmont claimed to have conducted months of due diligence on the Ghana investment. Either Piedmont did not find the public information that we readily found, or Piedmont knew of the payments and swept it under the rug. **Either way, we think DOE and other government authorities will likely have serious questions for Piedmont that could threaten the \$141.7 million grant award and raise the specter of Piedmont's potential liability under the Foreign Corrupt Practices Act and other anti-corruption laws.**

Piedmont earns **zero revenues** but enjoys a \$1.1 billion market capitalization on its promise that it will capture high margins from selling battery grade lithium at elevated prices while lithium supply remains constricted in the near-to-medium term. Piedmont's stated vision is to become "a leading American producer of lithium hydroxide all produced from spodumene concentrate that **we own or control.**" The Company has four early-stage lithium development projects: a proposed Carolina lithium mine and conversion facility; an offtake agreement in Quebec with a joint venture partner; an investment commitment in London-listed Atlantic through which it secured an offtake agreement from a development stage Ghana lithium mine; and its proposed Tennessee facility which aims to make battery grade lithium by converting raw material sourced principally from Ghana.

The Company's Carolina project is stalled on account of permitting, zoning and an uneconomic 11.6x strip ratio. Piedmont's recently announced short-term offtake deal with Tesla and LG Chem for spodumene from the Quebec mine could generate some short-term cash flow if the mine, which bankrupted two previous owners, becomes viable. However, Piedmont did not earn its lofty \$1.1 billion valuation because of its prospects to earn some short-term cash re-selling spodumene to Tesla and LG Chem.

Rather Piedmont's valuation is contingent on the offtake agreement with Atlantic's Ghana mine to supply the Tennessee conversion facility, which together will supposedly enable Piedmont to make and sell lithium hydroxide to EV battery customers. Without Ghana, its primary source of spodumene, we believe that Piedmont's Tennessee facility will be unable to obtain a replacement supply of lithium.

The Ghana mine is the lynchpin in Piedmont's valuation, its promise of near-term and medium-term revenues and profits, and the hype story it sells investors. Yet it is this very Ghana mine whose licenses, in our opinion, are likely to be revoked or not ratified on account of corruption.

Introducing a Suspect Stock Promote

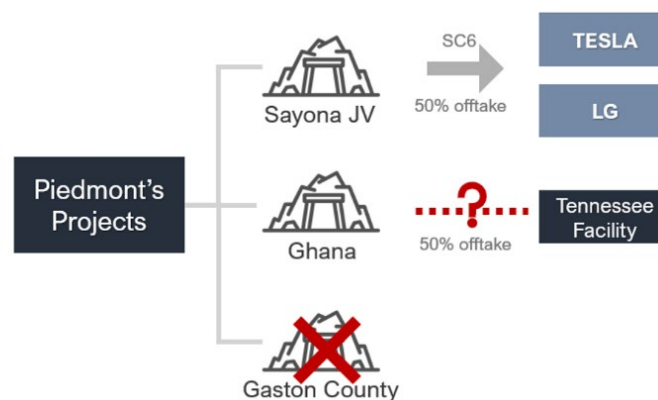
Piedmont is an early-stage lithium development business founded in Australia in 2016 and redomiciled to the U.S. in 2021. Piedmont has long been accused of being a [stock promotion](#), including by short seller Culper Research in a scathing report issued in 2022. Piedmont's long-time former director was barred from the Australian Securities and Investment Commission for alleged manipulation of mining stocks. He remains the largest individual shareholder today. Other now-former Piedmont insiders have [links](#) to at least six other publicly listed mining ventures **which have collapsed**.

Piedmont burst onto the scene in 2020 when it [signed](#) a deal to supply Tesla with spodumene from a development stage mine in Gaston County, North Carolina that it intends to eventually integrate with a lithium hydroxide conversion facility. The announcement caused Piedmont's stock to rip over 600% in a few months. Yet this project has gone nowhere and has largely been an unmitigated disaster.

Piedmont cannot get the Carolina project permitted or zoned as fierce local [opposition](#) has emerged to fight the project. Local news media [published](#) scathing stories about Piedmont management along with internal emails from North Carolina officials questioning Piedmont's commitment and competence to obtain the permits. Shareholders filed securities fraud class actions [alleging](#) that management lied about the permitting situation while insiders sold millions of dollars of stock. Piedmont has since (we think optimistically) pushed the project's timeline out five years - from 2022 to 2027. The project has not meaningfully advanced in several years, and appears dead in the water.

When investors lost faith in Piedmont's Carolina project, **the Company cleverly pivoted the narrative** from its flop in Carolina to its Ghana-Tennessee hype story. In 2021, Piedmont committed to invest over \$100 million in a London-listed junior miner to secure offtake from Atlantic's spodumene development project in Ghana. Specifically, Piedmont agreed to make a \$15.9 million investment in Atlantic for a 9.9% equity stake in the junior miner and commit another \$87 million to invest in the Ghana project. In exchange, Piedmont received the right to a 50% stake in the Ghana assets along with the right to 50% spodumene offtake at market value for the life of the mine. Piedmont also agreed to pay 50% of any capital cost overruns on the mine development (forecasted in September 2022 to be an additional \$55 million (\$27.5 million Piedmont share)).

Piedmont has made its interest in Atlantic's Ghana mine, and its crucial Ghana offtake agreement, the centerpiece of its promise to deliver near term lithium hydroxide to EV battery producers. After announcing the Ghana deal, Piedmont announced a new flagship hydroxide conversion facility in Tennessee, to be supplied from Ghana and funded in large part by government loans and a Department of Energy cost-sharing grant.



Source: Blue Orca Graphic

Piedmont tells investors that it expects production from Tennessee as early as 2025 - a timeline that, in our opinion, is unreasonably aggressive even without evidence of corrupt payments in Ghana, given that construction has not yet started in either Ghana or Tennessee and neither project has obtained any key permits.

Nevertheless, Piedmont's stock has bounced back from the disappointment of the failing Carolina project to near all-time highs, largely on the promise that spodumene from Ghana will feed Tennessee. We think not.

I. Corrupt Payments to Son of High-Level Ghana Politician for Mining Licenses

Corruption is illegal and a scourge on the mining industry in Africa. Mining rights secured through undisclosed direct and indirect payments to senior political officials are regularly suspended and revoked.

Atlantic acquired key mining rights for its flagship lithium project in Ghana by purchasing a local company which, undisclosed to investors, was secretly owned by the immediate family member of a man known as General Mosquito, a senior politician who previously served as Chairman of the Mines and Energy Committee of Ghana's Parliament and remains influential in Ghana's mining sector. **In our opinion, the evidence clearly indicates that Atlantic obtained mining licenses¹ by paying the son of a high-ranking politician and promising tens of millions of dollars in royalties. In our view, this appears to be textbook corruption.**

We think that corrupt payments to the immediate family of a Ghanaian politician for mining licenses jeopardize the future of Atlantic's project in Ghana. There are numerous instances in which Ghana has cancelled or [revoked mining licenses](#) after revelations of corrupt payments, as well as a multitude of [other examples across Africa](#) where licenses have been revoked when such payments have come to light. This danger is particularly acute here, as following the most recent change in power, newly elected Ghanaian political leaders called for an inquiry into mining licenses granted by the previous regime in exchange for payments to high-ranking politicians.

Atlantic still needs Ghana's Parliament to approve and ratify its mining licenses and permits in order to build the lithium mine. We think that corrupt payments make it highly unlikely that Atlantic's mining licenses in Ghana will be ratified, meaning Atlantic will never be able to supply lithium from Ghana for Piedmont's Tennessee conversion facility. Without Atlantic's Ghanaian supply, Piedmont has no near-term ability to supply lithium hydroxide to EV battery customers.

1. Atlantic Paid the Son of Prominent Ghana Politician to Acquire Mining Licenses

In 2021, [Atlantic acquired](#) a local Ghana entity, **Joy Transporters**, to obtain mineral rights and licenses on two of the four tenements (Saltpond and Cape Coast) for Atlantic's flagship lithium project in Ghana.²

To acquire Joy Transporters, Atlantic paid the owners \$730,000 in stock and promised the sellers an additional 2.5% production royalty potentially worth tens of millions of dollars.

Atlantic never directly disclosed the names of Joy Transporters' principals, but our extensive due diligence of public information, databases and corporate records in Ghana indicates that **Joy Transporters was owned by the son of a high-ranking politician: Johnson Asiedu Nketiah (a/k/a General Mosquito), the National Chairman of the National Democratic Congress, one of Ghana's two main political parties.**

The evidence is overwhelming. In connection with its September 2022 ASX exchange listing, Atlantic filed a 288-page prospectus including a "Legal Report on Tenements" authored by a Ghana law firm on the validity of the mineral rights and prospecting licenses.

Buried in this report was a schedule identifying the principals of Joy Transporters and the sellers of the mineral rights and prospecting licenses to Atlantic. The "Share Sale and Purchase Agreement dated March 11th, 2020," was between "**Kwaku Asiedu-Nketiah**, Albert Kwateng, IronRidge Resources Limited and Joy Transporters."³

¹ "For clarity, we refer to "mining licenses" collectively to mean prospecting licenses covering the western tenements of Atlantic's flagship Cape Coast Lithium Portfolio project."

² These two tenements are, according to Atlantic, [adjacent](#) to tenements on which Atlantic has already delineated a lithium resource. Atlantic is counting on these two tenements to grow the size of the resource and improve the project's economics, in particular the project's relatively short 12.5-year life of mine now [forecasted](#) in the September 2022 PFS. Atlantic is in the process of aggressively [exploring these tenements](#) and has identified several high priority drill targets just a few kilometers away from the existing resource, on strike, and with similar geology.

³ The other listed individual, Albert Kwateng, appears to [work](#) for a company owned and controlled by Kwaku Asiedu-Nketiah, Kayab Maritime Services.

tt) Share Sale and Purchase Agreement dated 11th March, 2020 between Kwaku Asiedu-Nketiah, Albert Kwateng, IronRidge Resources Limited and Joy Transporters Limited (“JTL SSPA”);

Source: [August 2022 Atlantic Lithium Replacement Prospectus, Ex. 2 Legal Report](#)

Kwaku Asiedu-Nketiah, the seller of the mineral rights and prospecting licenses listed in the share purchase agreement with Atlantic, is the **son of Johnson Asiedu Nketiah (a/k/a General Mosquito), the National Chairman of Ghana’s National Democratic Congress political party.** On his LinkedIn, Kwaku states that he is the President of a holding company that owns **Joy Transporters.**

Kwaku Asiedu-Nketiah Jr · 3rd Entrepreneur
Greater Calgary Metropolitan Area · [Contact info](#)

500+ connections

Experience

President
KAN HOLDINGS
2016 - Present · 6 yrs 11 mos
Ghana

KAN HOLDINGS is a group of companies comprising Kayab Maritime Services Company Ltd (Stevedore & Port services), Joy Transporters Ltd (Industrial mineral mining & Transportation), KMSC Ltd (Oil & Energy services) and Tain Builders Company Ltd (Concretes, blocks and real estate services).

Source: [LinkedIn profile](#)

General Mosquito’s [profile](#) lists Kwaku as one of his children and includes a family picture showing them both. Ghanaian media has also published occasional photos of General Mosquito together with his son, the owner of Joy Transporters.

HEADLINES LATEST POLITICS SPORTS ENTERTAINMENT BUSINESS EDUCATION HEALTH T

Mr. Kwaku Asiedu Nketiah is a very dignified man who has been able to be successful to his father.

Source: [News article, January 2021](#)

We suspect that Atlantic made these payments to secure the mining permits because, at the time of the transaction, the father was not only a senior party functionary and former Chairman of the Mines and Energy Committee of Ghana's Parliament, but a high-profile figure with particular influence within Ghana's mining sector.

Under Ghana's mining laws, the final step in obtaining approval for a mining license is to [obtain the ratification](#) of Ghana's Parliament. At the time of the Joy Transporters acquisition, General Mosquito served as the General Secretary of the NDC party while the NDC party jointly controlled the parliament that would have final authority over any mining license decision. His influence in Ghana politics and specifically Ghana mining cannot be understated, including that he served in Parliament as Chairman of the Mines and Energy Committee. Today, he remains a notable political figure in the Ghana mining industry.

"We won't stop mining" – Asiedu Nketia

oyerepafmonline.com/we-wont-stop-mining-asiedu-nketia



Johnson Asiedu Nketia, General Secretary of Ghana's biggest opposition party, National Democratic Congress (NDC) has stated that his party will not stop mining in the country should they come to power in 2024.

Source: [News article, October 14, 2022](#)

Atlantic paid General Mosquito's son and his cadre \$730,000 to acquire Joy Transporters, but this was only the appetizer. Additionally, Atlantic granted Joy Transporters a 2.5% production royalty (subject to a 50% buyback right for \$3 million), the terms of which are described in the Legal Report and in a 2018 news release.

Project Portfolio

The Company has entered into conditional and binding terms with Joy Transporters Ltd of Ghana, West Africa, under which IronRidge can acquire up to 100% of the projects through staged earn in arrangements and expenditure to Feasibility Study subject to Joy Transporters retaining a Net Smelter Return ("NSR") of 2.5% of which 50% may be acquired for US\$3 million at any stage.

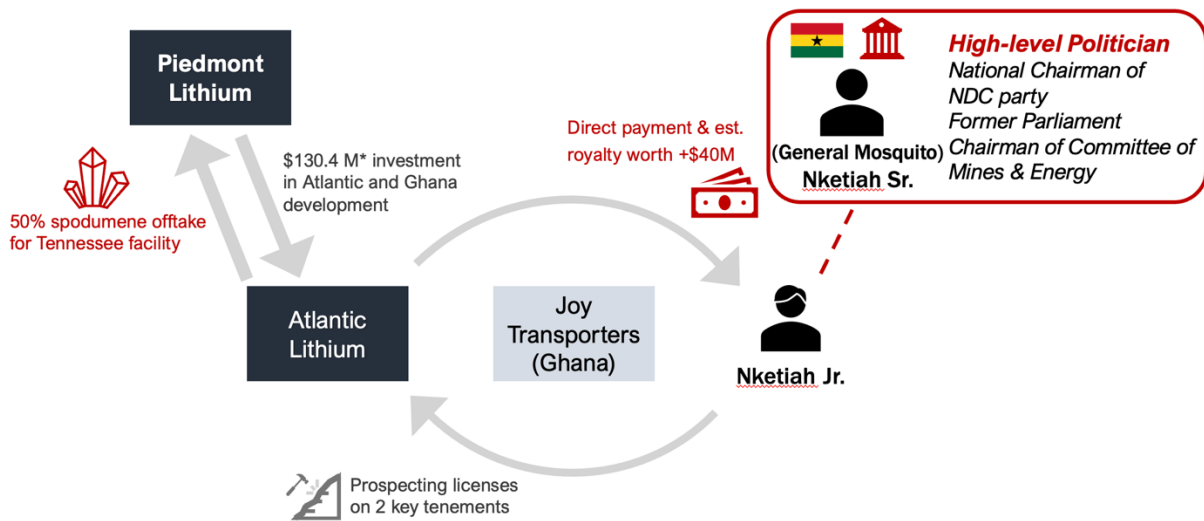
Source: [Atlantic News Release, January 17, 2018](#)

If we use the pre-feasibility study that Atlantic completed on the adjacent tenements as a rough proxy, we estimate the value of the 2.5% royalty granted to General Mosquito's son at over \$40 million.⁴

Put simply, to secure lithium mining rights, Atlantic promised tens of millions of dollars to the son of the politician with influence over the approval of mineral licensing rights.

⁴ Atlantic has not completed the pre-feasibility study for these tenements. For reference, [Atlantic's PFS](#) on the adjacent Mankessim and Mankessim South tenements values a 1% "local partner royalty" on those tenements at \$47.5 million over the projected 12.5-year life of mine. See Footnote 7.

Textbook Evidence of Corruption



Source: Companies Public Filings⁵, Online Search

Notably, local Ghana media and high-ranking members of General Mosquito’s own party have already publicly accused the politician of corruption by funneling corrupt payments through shell entities affiliated with his son, the exact pattern we believe we have uncovered with respect to Atlantic’s purchase of Joy Transporters.

This includes an article specifically mentioning father, son and Joy Transporters, and alleging that the father **“handled all the lucrative contracts for the NDC government under his son Kwaku Asiedu Nketiah Jr.”**

Asiedu Nketia And His Son Run 7 Companies In Ghana

by **Vesta Daily** — 1 week ago in Local News

1.2k 12 AA [Donate](#) 0

Asiedu Nketia handled all the lucrative contracts for the NDC governments under his son Kwaku Asiedu-Nketia Jr.

1. The managing director (M.D.) of KAYAB MARITIME & SHIPPING CO. LTD is Kwaku Asiedu-Nketia Jr. It is situated at Unique Plaza Next to TTB Bank Community One Tema, SSNIT Flat Sakumono Estate Tema. This company, which handled shipping, oil, and gas-related businesses and took enormously large percentages from the Ghana Port and Harbour Authority GPHA, was untouchable and extremely powerful.
2. The oil exploration company Stevedore & Port Services Ltd.
3. Industrial Mineral Mining & Transportation Company **Joy Transporters Ltd** This company engages in activities such as timber sales, gold mining in Galamsey, etc.
4. Another oil company is KMSC LTD (Oil & Energy services).
5. Kwaku Asiedu-Nketia Jr. serves as the company's CEO.

Source: [News article, November 2022](#)

These accusations are gaining steam. Local media in Ghana have further reported that high ranking members of **General Mosquito’s own NDC party have recently accused** the National Chairman of steering a lucrative contract to a company that is secretly owned by his son.

⁵ *130.4 million investment is comprised of \$15.9 million equity investment in Atlantic, \$87 million committed staged investment in Ghana mine development, and \$27.5 million commitment to share 50% of capital cost overruns (forecasted in Sept. 2022 PFS to be \$55M). As of December 31, 2022 Piedmont had paid Atlantic \$32.9 million of its total investment commitment.

He Is A Liar - My Son Has Not Been Given Any Contract - Asiedu Nketia Rubbishes Allegations Made By Said Sinare

24-Nov-2022 / Politics, Politics

[Email](#) [Print](#) Comments 1

General Secretary of the opposition National Democratic Congress (NDC), Johnson Asiedu Nketiah has rubbished the allegations made by a Vice Chairman of the party, Alhaji Said Sinare that his son, Kwaku Nketiah, has been awarded contract by the Party to print ID cards and take 20% shares.

Alhaji Sinare who was addressing some NDC delegates said, the NDC will be doomed if the delegates make a mistake and elect Asiedu Nketiah as their National Chairman.

Alhaji Sinare further disclosed that the General Secretary has sole-sourced and awarded a contract to a company that makes 20% commission on dues and filing fees collected from NDC members.

The vice chairman alleged that General Mosquito singularly brought in a company of his son to collect dues, issue cards, etc to party members without FEC having a say.

Source: [News article, November 24, 2022](#)

Politicians and local media have publicly accused General Mosquito of funneling corrupt payments through shell entities owned by his son. In our opinion, this is the exact pattern we found here, as it clearly appears that Atlantic paid the political leader's son for key mining licenses through the acquisition of Joy Transporters.

As we will discuss below, we believe that corrupt payments will likely jeopardize the mining licenses granted to Atlantic, which will crush Piedmont's only source of spodumene for its new Tennessee plant.

2. Other Mining License Purchased from Head of Ghana Olympic Committee

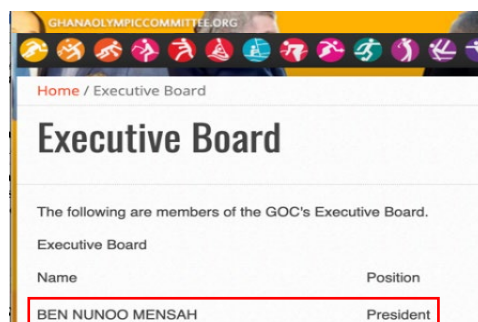
In addition to paying the son of a former parliamentary politician and current high-level political party functionary with influence over mining licenses, Atlantic paid another high-level official in connection with its mine development.

Atlantic acquired the rights to another portion of its Ghana lithium project by acquiring a Ghana company, Barari DV Ghana Ltd. ("Barari"). The Barari area is adjacent to Joy Transporters' tenements. Similar to Joy Transporters, Barari appears to have been secretly owned by a high-level official. Specifically, Atlantic's Legal Report states that Barari is 10% owned by Ben Nunoo Mensah.

- 1.6. BDL has two (2) shareholders, namely;
 - a. IronRidge Resources Singapore Pte. Ltd - 90%; and
 - b. Ben Nunoo Mensah - 10%.

Source: [August 2022 Atlantic Lithium Replacement Prospectus, Ex. 2 Legal Report](#)

Our research shows that **Ben Nunoo Mensah is the President of the Executive Board of the Ghana Olympic Committee**. A former insurance executive, Mensah previously held various positions in Ghanaian sports organizations, which have historically been coveted government appointments.



The screenshot shows the website for the Ghana Olympic Committee (GOC) with the URL GHANAOLYMPICCOMMITTEE.ORG. The page title is "Executive Board". Below the title, it states "The following are members of the GOC's Executive Board." and lists the members in a table.

Name	Position
BEN NUNOO MENSAH	President

Source: [Ghana Olympic Committee website](#)

Atlantic agreed to pay Mensah a valuable production royalty equal to 2% of net smelter return.⁶ According to Atlantic's pre-feasibility study, Mensah's royalty is [valued](#) at \$47.5 million.⁷ Atlantic's payment and promise to pay the son of a politician cast a specter over the entire project and cast suspicion on payments to other officials in connection with the project, including tens of millions in royalty payments promised to the President of the Executive Board of Ghana Olympic Committee.

Ultimately, we believe that based on precedent in Ghana and around Africa, payments and promises of payments (exceeding tens of millions of dollars in royalties) to the son of a prominent politician creates a material risk that Ghana authorities will reject Atlantic's pending mining license application to mine lithium in Ghana.

⁶ According to the Atlantic [prospectus](#), Atlantic can buy back half of Mensah's interest for \$2 million.

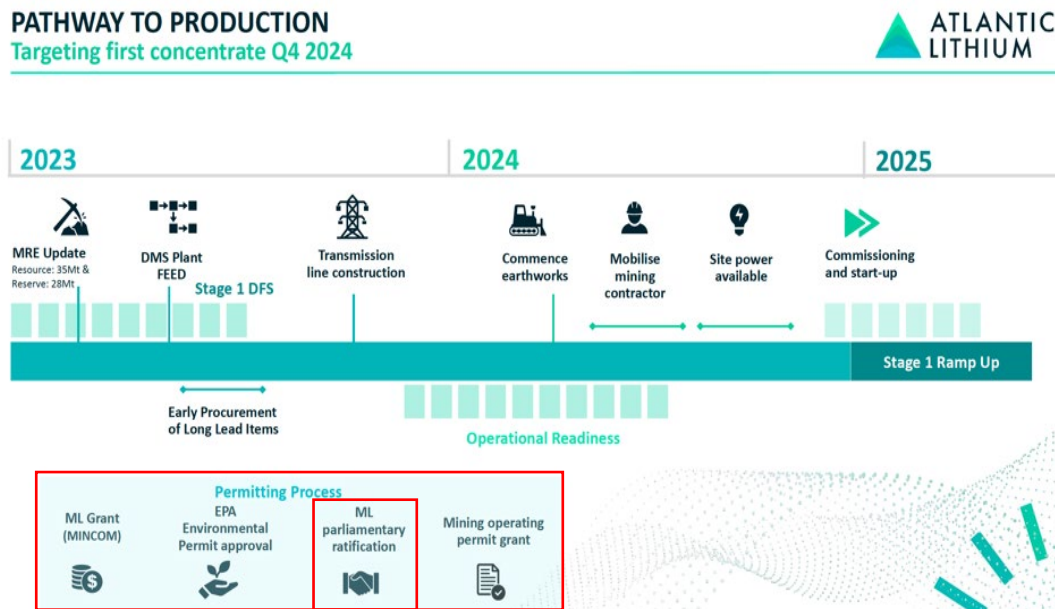
⁷ The Atlantic pre-feasibility study includes line items showing a 1% "Local Partner Royalty," a 5% "Government Royalty" and "Royalties (Government & NSR)" of \$285.1 million. Consequently, we can calculate that the 1% "Local Partner Royalty" is equal to 1/6th of \$285.1 million or \$47.5 million.

II. We believe that Atlantic's mining licenses will not be ratified because of corruption.

Precedent in Ghana and around Africa suggest that Ghana authorities will likely reject Atlantic's pending application for mining licenses because of corruption.

Obtaining a mining license for a large-scale mining operation in Ghana requires several levels of administrative review and approval. **Notably, Ghana's mining laws require that Ghana's Parliament must review and ratify** any award of a large-scale mining license.

As Atlantic discloses in its recent presentation, Atlantic plans to seek permit approval and parliamentary ratification of its mining licenses in 2023 and 2024. This means that any mining license application that Atlantic submits is subject not only to the permitting approval process, but ratification by the same legislative body that has current and former members who are currently [accusing General Mosquito](#) of corruption.



Source: [Investor Presentation](#)

Authorities in Ghana, to their credit, have a history of revoking mining permits obtained via corrupt payments to the immediate family of a high-level politician. The highest court in Ghana reinforced these points just a few years ago in a case involving substantially similar facts. In that case, the Ghana Minister of Lands and Natural Resources revoked mining leases that a previous political administration awarded to *Exton Cubic*, a company owned by the brother of the former President of Ghana. After a series of appeals, **Ghana's highest court upheld the revocation of the mining leases.**

Exton Cubic case: SC upholds govt's revocation of mining leases

By Starrfm.com.gh - July 31, 2019

A five-member Supreme Court panel presided over by Justice Julius Ansaah has granted an application by the Attorney General (AG) seeking to quash the decision of an Accra High Court presided over by Justice Kwaku Ackaah-Boafo, that quashed a letter written by the Minister for Lands and Natural Resources to revoke mining leases in respect of three areas in the Ashanti Region – Kyekyewere, Mpasaso and Kyrayaso – granted to Exton Cubic Group Limited by the Minerals Commission on the 10th of November, 2016.

Source: [News article, July 31, 2019](#)

Ghana's Attorney General noted after the highest court's decision that his office would investigate how a company owned by **the President's brother** was awarded mining licenses in the first place. He framed the inquiry as one of

“monumental importance,” underscoring the political importance of combatting corruption in Ghana’s mining industry.

General News of Tuesday, 14 January 2020

Source: starrfm.com.gh

Exton Cubic: Supreme Court dismisses Ibrahim Mahama’s review application

He also intimated that his outfit will also be looking into the circumstances under which a company with [affiliations to Ibrahim Mahama](#), was granted the mining lease when his brother, John Mahama was President.

“These are matters of monumental importance.” We have to even look at the processes, [asking] how come just a week before the handover of power by a real government, the President of the day, through the Ministers will convey a mining lease to a company owned by [the president’s] brother. These are things we have to look at.”

Source: [News article, Jan 14, 2020](#)

Aside from the *Exton Cubic* case, in the last 2-3 years alone, Ghana has suspended and/or cancelled valuable mining licenses for reasons that we believe are less legally, factually, or politically compelling than the circumstances of the secret payments that endanger Atlantic’s mineral rights now. For example, in 2021 Ghana revoked the mining lease on **Resolute Mining’s 100k ounce per year Bibiani gold mine** until Resolute Mining agreed not to sell the mine to a Chinese company.

In 2020 Transparency International published *Corruption Risk Assessment Report on Mining Licensing in Ghana*. Amongst other things, the Report gives Ghana a “5 out of 5” corruption risk score on the issue of hidden political influence in the processing of mining license applications. It specifically notes that the “impact” risk was high because of the consequences associated with **cancelling licenses obtained by non-transparent payments to political officials**.

Impact: 5/5. Unfair and non-transparent licensing can lead to the cancellation of licenses in future, deprivation of eligible applicants, which can also result in irrecoverable cost to the applicant and the state. Another consequence is

Source: [Ghana Corruption Risk Assessment Report on Mineral Mining Licensing \(March 2020\)](#)

The notion that Ghana can, and likely will, refuse to ratify mineral and mining rights tainted by corruption is consistent with precedents not just in Ghana, but across Africa and elsewhere in the world.

Another high-profile example involved an iron ore mining joint venture between Vale and BSG Resources (“**BSGR**”) in Guinea. [Guinea revoked the mining license](#) of the joint venture after discovering that BSGR paid bribes to acquire licenses on behalf of the JV.

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Guinea Revokes Mining Licenses for Vale Joint Venture

Brazilian Miner Sought to Exploit an Untapped Lode of Iron Ore

The decision had been expected after a Guinean government committee found that Vale’s joint-venture partner, BSG Resources Limited, had obtained concessions to the Simandou and Zogota mining areas **through corrupt practices**. Guinea’s cabinet voted

Source: [News article, April 25, 2014](#)

Similar examples of governments canceling tainted mining rights include cases in [Sierra Leon](#), [Australia](#), [India](#), and the [Democratic Republic of Congo](#).

In this case, we suspect that the opposition party leaders in Ghana will be eager to investigate and remedy any wrongdoing it may find. Ghana's President of the ruling opposition party has promised to crack-down on corruption in the mining industry and, to prove he means it, in November 2022 he publicly fired his own party's junior finance minister because of evidence that the minister demanded a \$200,000 bribe from investors to give to Ghana's Vice-President in exchange for mining rights.

Ghana president fires junior minister over graft allegations

By **Guardian Nigeria**

14 November 2022 | 12:11 pm

Teasers from the expose show Boahen in what the documentary claims are images of him trying to demand \$200,000 from potential investors to give to the vice president to allow them to do business.

Source: [News article, November 14, 2022](#)

There is strong evidence that Atlantic paid and promised to pay millions of dollars to the son of a high-ranking politician and another prominent official to acquire mining licenses in Ghana. We do not believe Ghana's Parliament, the same body with members currently accusing General Mosquito of corruption, will ratify Atlantic mining licenses in light of evidence of payments to his son. If that happens, Piedmont's offtake agreement will be collateral damage, leaving Piedmont's proposed Tennessee facility dead on arrival.

III. Piedmont's Tennessee Facility is Dead on Arrival: There is No Available Source to Replace Near Term Spodumene Offtake

Despite zero revenues, Piedmont's stock trades near all-time highs on the promise that its future Tennessee facility will supply lithium hydroxide to battery customers at high margins. Yet the Tennessee facility is dead on arrival without Atlantic's Ghana mining licenses.

A lithium hydroxide conversion facility makes money by converting mined hard rock spodumene into lithium hydroxide to sell to EV battery customers. Without spodumene there can be no lithium hydroxide, no battery customers, no revenue, and no high margins. If Piedmont loses its Ghana supply, as we suspect it will, the Tennessee facility becomes a \$572 million lemonade stand without access to lemons.

Piedmont cannot simply replace the Ghana spodumene offtake with a different spodumene producer's offtake. It's too late for that – there is no longer enough near term spodumene production available for offtake. In 2021 and 2022, when Piedmont was supposed to be conducting due diligence on Atlantic's Ghana mining licenses, its competitors were busy acquiring the rights to the world's near term spodumene production.

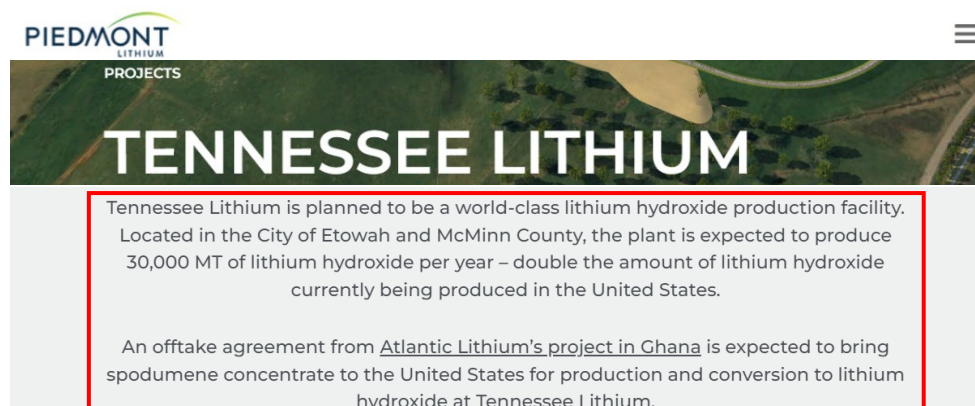
Furthermore, the spot market is insufficient to purchase spodumene in the massive quantities required by the Tennessee facility, which has a nameplate spodumene capacity of 196,000 mta.

The typical spodumene mine development takes many years to get into production, if it reaches production at all. Piedmont may eventually obtain the spodumene supply it needs for the Tennessee plant, but it will not be near term production, and certainly not by 2025 as Piedmont now forecasts. If Piedmont does eventually find the offtake supply it needs, the economics of the Tennessee facility will by that time be fatally impaired, and today's promise of outlandishly high margins will be a distant memory.

1. The Ghana offtake is irreplaceable.

In September 2022, Piedmont [announced](#) plans to construct a lithium hydroxide production facility in Tennessee. According to the March 2022 [Preliminary Economic Assessment](#) for the project, the facility (at that time referred to as "LHP-2") is projected to cost \$572 million.

To produce such a large volume of lithium hydroxide requires a correspondingly large volume of spodumene concentrate raw material. In the case of the Tennessee facility, 196,000 mta of spodumene would be required to produce 30,000 mta lithium hydroxide. [According to Piedmont](#), Atlantic's Ghana mine will be the primary source of spodumene for the Tennessee facility.



PIEDMONT LITHIUM PROJECTS

TENNESSEE LITHIUM

Tennessee Lithium is planned to be a world-class lithium hydroxide production facility. Located in the City of Etowah and McMinn County, the plant is expected to produce 30,000 MT of lithium hydroxide per year – double the amount of lithium hydroxide currently being produced in the United States.

An offtake agreement from [Atlantic Lithium's project in Ghana](#) is expected to bring spodumene concentrate to the United States for production and conversion to lithium hydroxide at Tennessee Lithium.

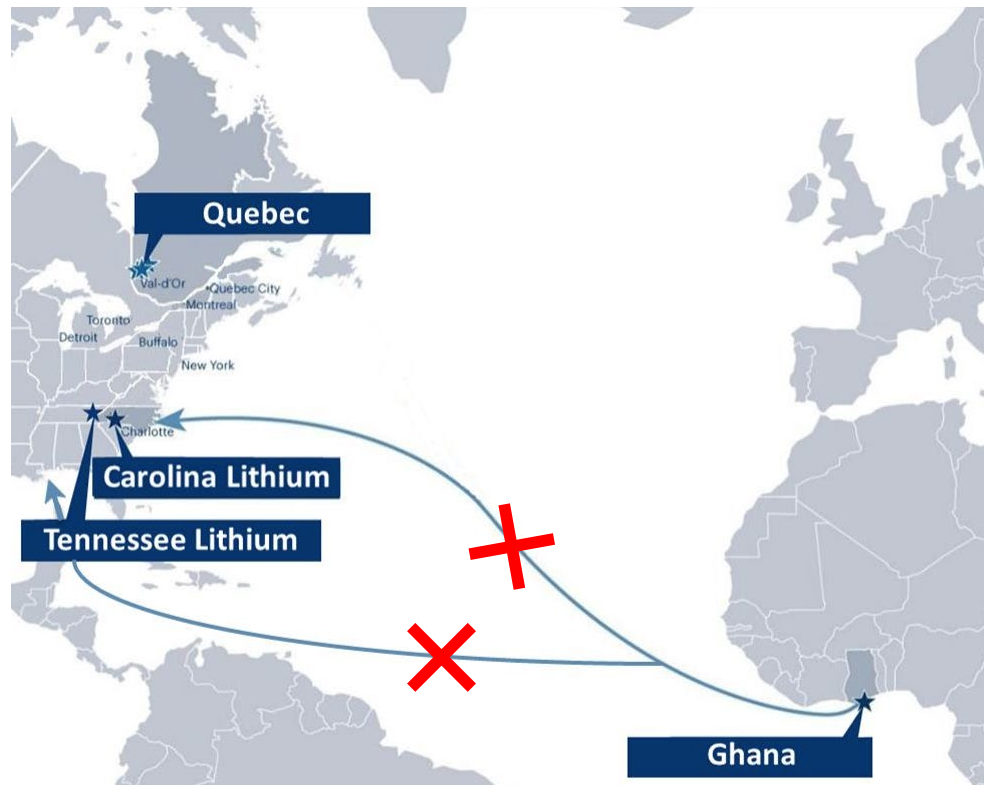
Source: [Piedmont Website](#)

Until recently, Piedmont had two possible sources of spodumene for lithium hydroxide: Atlantic's Ghana mine and the North American Lithium joint venture with Sayona Mining in Quebec. Recently, however, in January and February 2023 Piedmont [agreed](#) to two separate deals with Tesla and LG Chem, respectively, to resell them Piedmont's full

allotment of its Quebec offtake. This leaves Ghana as Piedmont's *only* source of spodumene supply for the Tennessee facility until at least 2026 and possibly longer if Tesla exercises an option to extend the deal.⁸

According to the Company's recent investor presentation, Ghana is supposed to be the source of spodumene for Tennessee and Piedmont's other proposed conversion facility in Carolina.

PROJECTS



Source: [Piedmont Investor Presentation, Feb 24, 2023](#)

Without Ghana, Piedmont has no possible source of near term spodumene supply for the Tennessee facility. Piedmont's competitors bled dry the offtake market during 2021-2022 on fears of an imminent and long-lasting supply shortage. There is now very little, if any, near term spodumene production available for offtake, nor will there be for many years.

As one industry expert explains, lithium supply cannot quickly catch-up to near-term demand because it can take a new mine development **eight or more years to come into production.**

"It is clear now there is going to be a shortage of lithium. The supply is not going to keep up with demand. The demand is increasing around 30% on a compound annual growth rate . . . those are really big figures. We're talking about two digits. [The imbalance is because] . . . if you want to start running a new mine . . . a new project can take eight years or more."

- *Industry expert*

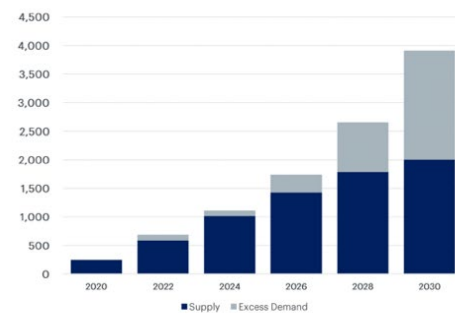
⁸ On January 3, 2023 Piedmont [announced](#) that it amended its supply agreement to Tesla, stating "Piedmont plans to deliver SC6 to Tesla from NAL under Piedmont's offtake agreement with Sayona Quebec, which entitles Piedmont to purchase the greater of 113,000 metric tons per year or 50% of SC6 production." On February 16, 2023, Piedmont [announced](#) that LG Chem agreed to invest \$75 million in Piedmont in exchange for 50,000 mta spodumene offtake for four years, for a total of 200,000 mta. Piedmont states that the offtake will come from its share of offtake rights from the North American Lithium joint venture in Quebec.

Piedmont itself predicts massive shortfalls and a supply deficit.

LITHIUM SHORTFALLS ANTICIPATED

Upstream projects have long development timelines, compounding supply deficits

BATTERY GRADE SUPPLY AND DEMAND FORECAST
(KT LCE)



Source: RK Equity estimates

19

"The demand for lithium-ion batteries is quasi-infinite and will be for quite some time" – Elon Musk, Tesla

"Based on history and the sector's poor track record of delivery, there is an upside risk to our price forecasts and a "stronger for even longer" scenario playing out. We see limited technical risk in delivering DMS-only spodumene concentrate projects – the greater risk is permitting timelines, finding skilled staff and delivery timelines and installation for lead items." – Rodney Hooper, RK Equity

"I really don't think there's any reason to believe that so many tons can magically appear this year to return the market to balance. The pain is not over yet." – Claire Blanchelande, Lithium Trader at Trafigura Group

"There are so many negative lithium reports coming out of the bulge bracket banks recently that it's difficult to understand why anyone was ever positive on lithium. Of course, those of us who were positive on lithium were positive (and made money) because we didn't listen to what the bulge bracket investment banks were saying! It's not like the bulge brackets have such a great record anyway." – Matt Fernley, Battery Materials Review

Nasdaq : PLL ASX : PLL **PIEDMONT** LITHIUM

Source: [Investor Presentation, January 2023](#)

We spoke to a former Piedmont senior level executive about the current state of the spodumene market. He confirmed that Piedmont has no substitute offtake source available to it. **Specifically, when we asked him how Piedmont could theoretically replace its Ghana or Quebec spodumene supply if one of those sources fell through, he responded, "You don't. . . [Piedmont] has gotta make it work with Quebec and Ghana to make Tennessee work."**

Q: If one of these suppliers falls through, is it just something [Piedmont] could just go and replace?

A: The answer is no, it doesn't happen. . . . There's not much access floating around the last time I checked. So, I don't know who you even call. So they are locked in. They gotta make it work with Quebec and Ghana to make Tennessee work.

- Interview with Former Piedmont Senior Executive

Nor is there sufficient supply on the offtake market to replace Ghana. Among other reasons addressed below, the volumes are too large. According to [Piedmont's website](#), the Tennessee facility is expected to produce double the total amount of lithium hydroxide currently produced in the United States.

We put the question to Piedmont's Investor Relations executive. He confirmed that the offtake market is "very tight" and that he was not aware of any "contingency plans" if the Ghana supply became unduly delayed or otherwise fell through. Instead, he emphasized Piedmont's confidence in its future Ghana supply.

Q: If it doesn't work out for whatever reason –if Ghana is going to be terribly delayed– is there an alternative source of out there that you could have both Tennessee going and have it going in Quebec at the same time?

A: Yeah, the [offtake] market is very tight. I mean, yes, I'm sure there are contingency plans deep within you know, our CEO, COOs heads around what that looks like. . . but I think we're pretty confident in the plan laid out with getting Ghana up and running.

- Piedmont Investor Relations Executive

Our own independent analysis confirmed the same. We analyzed the four spodumene producers that Piedmont's investor presentation identifies as its "peer" spodumene producers. We found that until sometime late in the decade,

these four companies expect to have a collective total of only ~50,000 tpa of near-term production potentially available for offtake.⁹ It was a similar result when we analyzed an even wider collection of near term spodumene producers.¹⁰

Lithium is not scarce in the ground so it is reasonable to expect that many more mines will be developed in coming years. The problem for Piedmont is that the timeline from exploration to production can take almost a decade and even then, most development projects, for various reasons, never make it into production.

We anticipate that Piedmont will eventually find the spodumene offtake it needs for the Tennessee facility, but we do not see any scenario that it will successfully replace its currently forecasted near or medium-term supply from Ghana.

2. No Spodumene at Ghana's Costs

In our opinion, Piedmont cannot lose the Ghana offtake without irreparably killing investors' fantasies of high margins on the Tennessee project, if not killing the project altogether.

Piedmont may argue that if Ghana fell through, it would find another partner. Given the scarcity of supply, this is highly unlikely if not impossible, at least in the near or medium term. But even if it were possible, such a replacement deal would present a number of problems.

First, Piedmont will almost certainly have to make another substantial investment in any new offtake partner. As shown above, there is very little near term spodumene production available for offtake. If Piedmont is going to find a new partner for a reliable long-term source of almost 200,000 mta, it will need to look to earlier-stage development projects with big potential – projects that Piedmont can infuse with capital and “fast track” like it did with Atlantic. It can take several hundred million dollars to develop a project from exploration to first delivery and Piedmont will no doubt need to pay to play, just as it did with Atlantic to secure the Ghana offtake.

Piedmont's investment in Ghana is projected to cost \$130.4 million. Any replacement deal will likely cost far more.

USD M	
Investment in Ghana development	87
Equity investment in Atlantic	15.9
Payment of 50% of capital cost overrun	27.5
Total	130.4

Source: [Atlantic Announcement](#), [Piedmont Announcement](#)

A \$130.4 million price tag is ~\$30 million more cash than Piedmont had on its balance sheet at the end of Q4 2022. This means that Piedmont will likely go to the capital markets to raise even more cash,¹¹ diluting shareholders in the

⁹According to our research, Core Lithium has two offtake deals on the *Finniss* project that collectively capture approximately 150,000 mta of forecasted 160,000 mta for the first four years of production. At least one of the partners holds an option to extend the offtake beyond the four years. Liontown Resources has three existing offtake deals on the *Kathleen Valley* project that [allocate](#) 450,000 mta of 500,00 mta, or 90% of annual production, and it stated that most of the remaining 10% will go to spot market or one-off offtake sales. The agreements last until 2029. Sigma Lithium has two offtake agreements allocating 230k of its 270k near term production. The company plans to substantially expand production over two future "phases," but recent news reports [suggest](#) that Tesla may soon have claim to whatever additional capacity Sigma brings online beyond its current "phase 1" production. Finally, Livent's *Nemaska* project is likely to have some spodumene production expected for offtake in the near future, but only for a short period until it ramps up and reaches capacity at its own fully integrated facility.

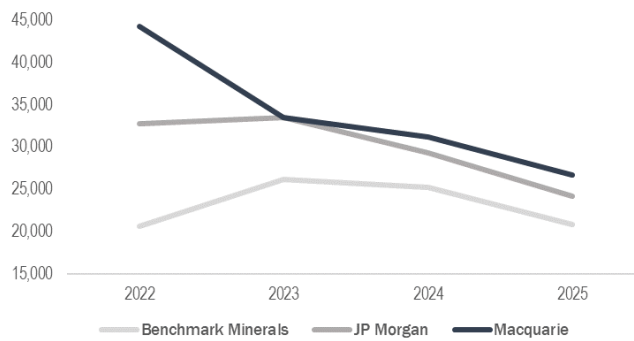
¹⁰ Other near term spodumene development projects are also not viable options for Piedmont. For example, Critical Elements is [seeking](#) only “blue chip strategic partners” for its *Rose* project; Leo Lithium's *Goulamina* project's “Phase One” production is already 100% booked and the project is 50% [owned by a Chinese company](#), a likely obstacle to Piedmont receiving any DOE funding; and, similarly, Premiere African Mineral's *Zulu* project [expects to produce](#) nearly 50,000 mta and at least 50% of even that small amount is already allocated to a Chinese company that is also a part equity owner and strategic partner. Similarly illustrative, AVZ's *Manono* project is still in the early exploration stage, yet multiple Chinese companies have already [locked-up](#) more than 80% of its future production.

¹¹ On top of raising new “replacement” investment capital for a new offtake partner, Piedmont still, of course, will need to eventually tap the capital markets to raise hundreds of millions more to fund its \$430.4 million cost share of the Tennessee facility (even accounting for LG Chem's recently announced \$75 million investment). Furthermore, given that Piedmont completed the most recent PEA in March 2022 in a much lower inflationary environment, we fully expect that the next economic assessment of the Tennessee facility will reflect a significantly higher cost estimate, resulting in even more dilution for investors.

process. This may be a best-case scenario. Realistically, it is unreasonable to believe that Piedmont will be able to replicate the favorable economic terms it negotiated with Atlantic. Piedmont made the Ghana investment and offtake agreement in July 2021 before lithium prices and spodumene offtake demand skyrocketed.

Second, even a single year delay is likely to have a meaningfully negative impact on the project’s economics. Piedmont currently forecasts spodumene concentrate production to begin in Ghana by 2025 with production of lithium hydroxide from Tennessee by 2026. In the March 2022 preliminary economic assessment (“PEA”), Piedmont assesses lithium price forecasts from three different firms: Benchmark Minerals, J.P. Morgan and Macquarie. We have no opinion on these forecasts except to note that all three firms are aligned that lithium prices will drop by 14%-17% from 2024 to 2025.

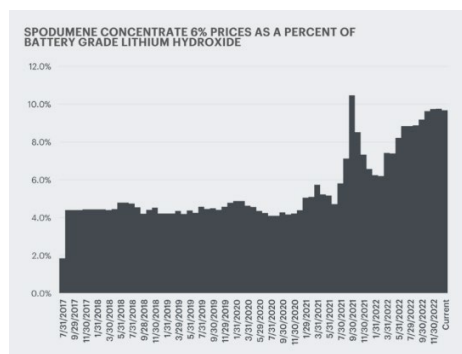
Price Forecasts for Battery-Grade Lithium Hydroxide (\$/t)



Source: PEA, March 2022

If these forecasts are directionally accurate and that forecasted downward trend continues, even a one-year delay in spodumene delivery to the Tennessee facility will have a meaningful negative impact on margins. This is precisely why Piedmont negotiated to “fast-track” the Ghana project – to capitalize on high lithium prices while prices remain elevated. In fact, Piedmont expressly stated as such in connection with the March 2022 PEA, for the Tennessee facility.

Similarly, Piedmont’s own investor presentation highlights that spodumene prices as a percentage of lithium hydroxide pricing is quickly trending upwards. The delta between these two pricing data points remains large in real dollars but has shrunk rapidly on a percentage basis over the last two years. The trend is clearly favoring spodumene suppliers over lithium sellers and is just another data point suggesting that lithium sellers’ margins should move against them with each passing year.



Source: Investor Presentation, January 2023

In sum, losing the Ghana spodumene supply would be nothing short of an unmitigated and potentially fatal disaster for the Tennessee project.

IV. Piedmont's DOE Grant for Tennessee Facility Imperiled over Potential FCPA Exposure and Lack of Spodumene

Piedmont's stock soared over 20% in one week in October 2022 on news that the DOE selected the Tennessee facility for an award of a \$141.7 million cost-sharing grant under the new infrastructure legislation. But the grant is still not final and "subject to negotiation and satisfaction of terms and conditions."

9. *Piedmont applied to the Department of Energy ("DOE") for Advanced Technology Vehicles Manufacturing ("ATVM") loans and grants for the Tennessee Lithium and Carolina Lithium Projects. To date, the DOE selected our Tennessee Lithium Project for a grant of \$141.7 million, subject to negotiation and satisfaction of terms and conditions.*

Source: [Investor Presentation, January 2023](#)

This caveat is not mere boilerplate. Rather, as recently as February 16, 2023, a high ranking DOE official responded to Congressional criticism surrounding DOE's \$200 million grant to a battery maker with operations in China, Microvast, by reiterating that the DOE is reviewing **all projects and companies** selected for the battery funding grants and "[t]he Department reserves the right to cancel the award negotiations and rescind the selection upon a determination of any failure to satisfy applicable legal, policy, or other" requirements.

Microvast's \$200 Million US Grant Under Review; Shares Plunge

- Microvast's links to China have drawn outrage from lawmakers
- Funds are in 'post-selection' review, Energy Department says

Kathleen Hogan, the Energy Department's principal deputy under secretary for infrastructure, wrote in the letters dated

Feb. 1 that the agency is reviewing all projects and companies selected for the battery funding. "The Department reserves the right to cancel the award negotiations and rescind the selection upon a determination of any failure to satisfy applicable legal, policy, or other" requirements, she wrote.

Source: [News article, February 16, 2023](#)

Furthermore, Congress has promised to heavily intervene in any DOE battery grant from this point forward.

"I won't use the phrase this is the tip of the iceberg, but I would say this is the start of a long and methodical and hopefully sterile process of oversight," said House Science Chair Frank Lucas (R-Okla.).

Source: [News article, February 13, 2023](#)

In our opinion, the prospective rescission of Microvast's DOE grant suggests that Piedmont's grant is imperiled.

First, without the supply of spodumene from Ghana, the DOE grant is a waste of almost \$150 million of government funds that could go to a different company that may actually produce lithium hydroxide in the near to medium term. Second, there are open questions whether Piedmont knew or should have known of the corrupt Ghana payments when it applied for the DOE grant. In 2021, Piedmont claimed that it conducted months of due diligence on the Ghana investment. Either Piedmont did not find the public information that we readily found, or Piedmont knew of Atlantic's payments and swept it under the rug. Either way, we think Congress, DOE and other government authorities are going to have serious questions for Piedmont that could potentially threaten the \$141.7 million pending grant award.

1. Without Ghana, the DOE's pending grant to build the Tennessee facility is wasted

As addressed above, the Tennessee facility is dead on arrival without the Ghana spodumene supply. It is difficult to see how, under the changed circumstances, the pending grant to Piedmont will pass further DOE or congressional scrutiny. To be sure, we made FOIA requests to the DOE concerning Piedmont's grant application and received in

response certain documents that Piedmont submitted for its grant application. Not surprisingly, the source of Piedmont's feedstock supply was a repeated topic of inquiry on the DOE grant applications and submissions.

- 2f. In the box below, please list the estimated quantities of materials to be used (e.g., feedstock, chemicals, water) and produced by the project (e.g., biofuel). Describe individually for each site discussed in Question 2b.**

<p><i>Explanation:</i> Kiewit - not applicable</p> <p>LiOH Plant 2 - Production - 30,000 metric tons per year lithium hydroxide monohydrate</p> <p>Reagents and feedstock - the following list is the major feedstock and reagents only: spodumene concentrate - 195,000 metric tons per year</p>

Source: FOIA Request

Consequently, we would not be surprised if DOE revoked its pending cost-share grant for any one of several possible reasons tied to Piedmont's sudden change of circumstance related to its new lack of a reliable spodumene supply:

- Lack of a reliable source of spodumene to produce lithium in the near term;
- Lack of a reliable source of spodumene to produce lithium at name plate capacity;
- Potential for unexpected project delay waiting on new offtake source; and/or
- Project feasibility concerns based on deteriorated economics of project and/or Piedmont's balance sheet.

In summary, we believe that investors cannot count on Piedmont funding any future Tennessee facility with government grants. If anything, if Piedmont advances the project, investors can expect Piedmont to attempt to fill the \$141.7 million gap by selling stock and massively diluting shareholders.

2. FCPA Exposure and Potential Liability under Anti-Corruption Laws

Piedmont claims to have conducted months of due diligence on its Ghana investment. Either Piedmont did not find the public information that we readily found, or Piedmont knew of the payments and swept it under the rug. Either way, we think DOE and other government authorities will likely have serious questions for Piedmont that threaten the \$141.7 million grant award and raise the specter of Piedmont's liability under the Foreign Corrupt Practices Act and other anti-corruption laws.

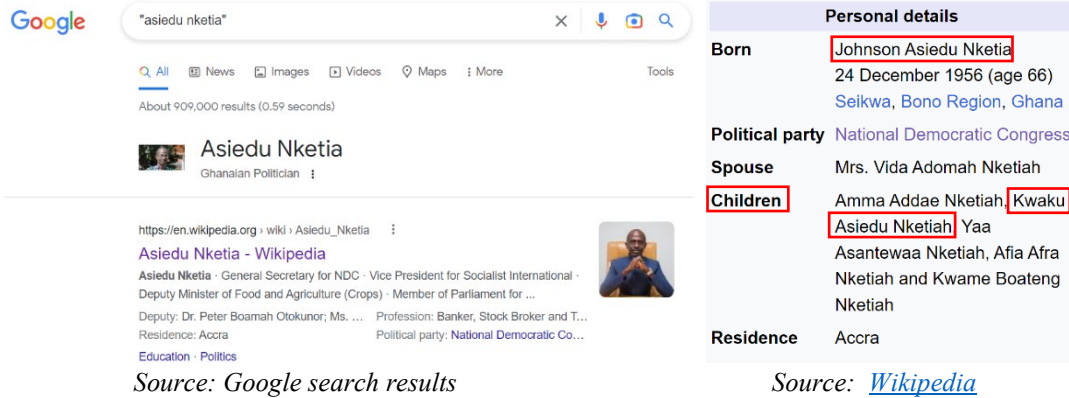
To support its \$100 million investment in Atlantic and its Ghana mine, Piedmont claimed that it conducted "extensive due diligence" over "several months" on the Ghana project.

power and is expected to have a low environmental impact due to reliance on solar and hydroelectric generating capacity to power the facility. Piedmont conducted extensive due diligence over the past several months, including through site visits to Ghana, and believes that IRR Ghana has significant upside potential.

Source: [News release, July 1, 2021](#)

Of course, near the top of Piedmont's due diligence checklist must have been to satisfy itself that Atlantic possessed all the legal rights needed to develop the property. Similarly, any reasonable due diligence would include gaining an understanding of the production royalties attached to the property. Did Piedmont really take those fundamental due diligence steps and still not discover the interests of the son of a high-ranking politician with influence over the approval of mining rights?

We don't know what steps, if any, Piedmont may have taken in its due diligence process but we uncovered Atlantic's payment scheme simply by googling "Asiedu Nketia" and reading his Wikipedia page that was linked at the very top of the Google search results.

Google "asiedu nketia" 

Personal details

Born	Johnson Asiedu Nketia 24 December 1956 (age 66) Seikwa, Bono Region, Ghana
Political party	National Democratic Congress
Spouse	Mrs. Vida Adomah Nketiah
Children	Amma Addae Nketiah, Kwaku Asiedu Nketiah, Yaa Asantewaa Nketiah, Afia Afra Nketiah and Kwame Boateng Nketiah
Residence	Accra

Source: [Wikipedia](#)

Aggravating matters, Piedmont’s CEO inexplicably touted to investors that Ghana is “a low-risk jurisdiction” for corruption and justified the statement by Ghana’s relative standing to a collection of some of the world’s most corrupt countries, such as the Democratic Republic of Congo ([ranked](#) by Transparency International as the 15th most corrupt country in the world, seven spots higher than North Korea).

We consider IRR’s Ewoyaa Project to be among the world’s most promising spodumene projects, said Piedmont CEO Keith Phillips.

He added that Ghana was a low-risk jurisdiction, with a better rating in terms of transparency and corruption than other lithium-rich countries such as Argentina, China, Brazil, Mexico, Bolivia, Mali or the Democratic Republic of Congo.

Source: [ICIS Chemical News and Intelligence](#)

This statement is ridiculous. Ghana, especially Ghana’s mining industry, presents some of the highest corruption risk in the world. In fact, U.S. mining companies and other major public companies with operations in Ghana expressly disclose to their investors the fact of Ghana’s *high* corruption risk.¹² This assessment is not anecdotal, it is based on comprehensive studies and reports published by [Transparency International](#), [OECD](#), and [GEITI](#).

To be sure, we put this question to an expert who lives in Ghana and advises international mining companies on license and permitting in Ghana. He stated that it is a practice for some officials in Ghana to intentionally delay issuing a license to try to elicit an improper offer of payment from a mining company that has invested a lot of capital in a project and is anxious, in his words, to “fast track” the project.

We believe obviously some mining concessions have been fast tracked by incentivizing parliamentarians. Yes. The person obviously is having capital standing and he cannot continue waiting. . . . So he might have wanted to incentivize the fast tracking of all this process and that is how come this happens.

- Interview with Ghana mine permitting expert

Piedmont used those exact words in its news release, stating its intent to “fast track” the Ghana project.

IronRidge Resources Ltd (LON:IRR) said Piedmont Lithium Inc., a Nasdaq-listed lithium exploration and development company, has agreed to fully fund and fast track the Ewoyaa lithium project in Ghana for US\$102mln.

Under the agreement, Piedmont can earn 50% of IronRidge’s Cape Coast Lithium Portfolio (CCLP), which includes the Ewoyaa project, in three stages.

Source: [News article, July 1, 2021](#)

¹² See, e.g., disclosures from [Newmont Mining](#) (stating that it operates in places with a “higher risk of corruption, namely Ghana.”); [Kverner](#) (stating that corruption risk in Ghana is “inherently high”).

In our view, Piedmont's desire to "fast track" the project in Ghana potentially exacerbated a high corruption risk situation in a high corruption risk industry in a high corruption risk country.

Another key question for Piedmont will most likely include an inquiry into why Piedmont scrubbed the names of **Joy Transporters and the other Ghana companies** from its public filings?

(e) **The Company has entered into the following agreements in respect of the Tenements:**

No	Agreement	Date
1.	***	***
2.	***	***
3.	***	***

Source: [Piedmont's SEC Form 8-K, July 1, 2021](#)

Piedmont claimed that it redacted the information because it was either immaterial or a trade secret.

Certain information contained in this document, marked by *******, has been omitted because it is both (i) not material and (ii) would be competitively harmful if publicly disclosed.

Source: [Piedmont's SEC Form 8-K, July 1, 2021](#)

To us, this seems like a curious explanation considering that the Ghana companies holding the mineral rights on the project seem neither immaterial nor a trade secret.

Why did Piedmont redact the names of the sellers and the recipients of the royalty payments?

Our investment thesis does not rely on any anti-corruption action by U.S. or UK authorities. However, we believe that authorities will raise difficult questions for Piedmont with respect to how much it knew or should have known about Atlantic's payments for mining licenses and promises for future royalty payments. Other companies have incurred fines or actions for a failure to conduct diligence on payments by partners. Not only does such a risk exist here, but we question whether the U.S. government may be hesitant to award Piedmont \$141.7 million if there is any question that those government funds may unwittingly further a foreign corruption scheme.

CONCLUSION

Ultimately, Piedmont's valuation is contingent on the offtake agreement with Atlantic's Ghana mine to supply the Tennessee conversion facility, which together will supposedly enable Piedmont to make and sell lithium hydroxide to EV battery customers. Without Ghana, its primary source of spodumene, we believe that Piedmont's Tennessee facility will be unable to obtain a near to medium term replacement supply of lithium.

The Ghana mine is the lynchpin in Piedmont's valuation, its promise of near-term and medium-term revenues and profits, and the hype story it sells investors. Yet it is this very Ghana mine whose licenses, in our opinion, are unlikely to be ratified by a Ghana Parliament whose members are already accusing the key player of corruption. Without Ghana, the proposed Tennessee facility and Piedmont's stock are severely impaired.

DISCLAIMER

We are short sellers. We are biased. So are long investors. So is Piedmont. So are the banks that raised money for the Company. If you are invested (either long or short) in Piedmont, so are you. Just because we are biased does not mean that we are wrong. We, like everyone else, are entitled to our opinions and to the right to express such opinions in a public forum. We believe that the publication of our opinions about the public companies we research is in the public interest.

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