

## Lithium Power International (LPI AU) / Corp Nacional del Cobre de Chile

### SCHEME OF ARRANGEMENT

We expect FIRB approval to be granted as LPI is left with no major Australian assets. Chilean regulatory issues are unlikely, given Codelco's position as a state-owned company is in line with the country's policy.

#### Regulatory/timeline:

- The shareholder vote is expected to be held in late January 2024.
- **FIRB approval is a deal condition.**
- **The company has sold its Australian operations to Albemarle in July 2023.**
  - The transaction involved the sale of 100 per cent of LPI subsidiary, Western Lithium's shares and comprises all cash-for-shares amounting to A\$30 million.
  - **Titus Minerals remains owned by LPI, but it is subject to a Call Option with Albemarle as part of the sale of Western Lithium in July 2023.**
  - Titus holds LPI's remaining Australian asset, WA Greenbushes.
- **Based on the above, we expect FIRB approval to be granted as LPI is left with no major Australian assets.**
- Chilean regulatory issues are unlikely, given Codelco's position as a state-owned company is in line with the country's policy.

#### MAE carve-outs:

- **Events arising from a Chilean Lithium Policy are carved out of MAE.**
- Industry-wide events that affect other similarly situated entities of similar characteristics in the lithium industry in Chile are also carved out.

#### Shareholder vote, counter bid

- **LPI's major shareholder, Minera Salar Blanco SpA, intends to vote its 28.25% shareholding in favour of the Scheme** subject to the Independent Expert concluding that the Scheme is in the best interests of LPI shareholders. All members of the LPI Board also intend to vote their LPI shares in favour of the Scheme, subject to the same qualifications.
  - Minera Salar Blanco SpA is an entity controlled by LPI Director, Mr Martin Borda
- The directors of LPI directly or indirectly own or control, in aggregate, 204,329,127 LPI shares, **being 32.5 % of the current LPI's shares** on issue.
- **A counter bid unlikely due to the uncertain legal status of the company in Chile.**
- **There is debate around the validity of the company's licenses for lithium production following the announcement of the new regime earlier this year.**
- **While valuation is well below the main project's NPV estimate, the main shareholder supports the acquisition, and the Chilean government's dominant position makes shareholder push for a higher price unlikely.**

#### Valuation:

- The deal values LPI at A\$385m, which is well below Maricunga project's NPV estimate.
- Based on an updated Definitive Feasibility Study released in January 2023, the Maricunga Stage One of the project development should yield a \$US1.4B net present value.
- Maricunga is among the most efficient producers with an OPEX of US\$3,718 per tonne. The project is projected to produce 15,200 tonnes per annum over 20 years.
- The company has also substantially increased Measured and Indicated Resource by 90 per cent after completing a drilling program to test the Maricunga Salar's lithium mineralisation up to depths of 400m.
- The consideration payable under the Scheme implies a fully diluted equity value for LPI of ~A\$385 million<sup>1</sup> and represents a **significant premium of:**
  - **119% to the undisturbed closing share price** of A\$0.26 per LPI share on 26 September 2023, being the Undisturbed Date; and
  - 136% to the undisturbed 30-day VWAP of A\$0.242 per LPI share up to and including the Undisturbed Date.

#### Deal Terms

1 LPI AU = A\$0.57

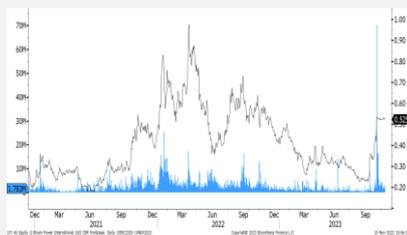
#### Target: Lithium Power International

Country	Australia
Bloomberg	LPI AU
Sector	Materials
Share price (\$A)	0.525
Market cap (\$Am)	333.9
Free float (%)	63

#### Acquirer: Corp Nacional del Cobre de Chile

Country	Chile
Bloomberg	n.a.
Sector	Materials
Share price	n.a.
Market cap	n.a.
Free float (%)	n.a.

#### LPI AU Price Chart



Status: First Court Hearing December 13

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## Key terms of the merger

### Transaction Details

<b>Announcement Date</b>	<b>October 18, 2023</b>
<b>Offer terms</b>	1 LPI AU = A\$0.57
<b>% owned by LPI AU stockholders</b>	0%
<b>Deal Size (Market Value)</b>	A\$385 Based on 629,237,560 fully paid ordinary shares + 19,500,000 Share Appreciation Rights + 9,250,000 Director and Adviser Options + 8,350,000 Bearing Options + 16,806,855 Bearing Warrants on issue at the date of this announcement multiplied by the Scheme Consideration of A\$0.57 per LPI share (and, in respect of the Bearing Options and Bearing Warrants, converting into 0.7 LPI shares per security)
<b>Offer structure</b>	Scheme of Arrangement
<b>Target's Board Recommendation</b>	Yes
<b>Voting Agreement</b>	Yes LPI's major shareholder, Minera Salar Blanco SpA, intends to vote its 28.25% shareholding in LPI in favour of the Scheme, in the absence of a superior proposal and subject to the Independent Expert concluding (and continuing to conclude) that the Scheme is in the best interests of LPI shareholders. Minera Salar Blanco SpA is an entity controlled by LPI Director, Mr Martin Borda All members of the LPI Board also intend to vote their LPI shares in favour of the Scheme, subject to the same qualifications. The directors of LPI directly or indirectly own or control, in aggregate, 204,329,127 LPI shares, being 32.5 % of the current LPI's shares on issue.
<b>Target Incorporation</b>	Australia
<b>Merger Agreement</b>	Click <a href="#">here</a> for the SID.
<b>Synergies</b>	■ N/A

### Indicated Closing Date

January 30, 2024

### Dividends

LPI does not pay dividends.

### Timetable

■ Confidentiality Deed	August 21, 2023
■ Deal Announcement	October 18, 2023
■ First court hearing	December 13, 2023
■ Shareholder vote	January 23 2024
■ Effective Date	January 30, 2024
■ End Date	April 18, 2024

### Key conditions to the merger

■ Shareholder approval	■ 75% of votes cast
■ Court approval	
■ Independent expert report	■ The Independent Expert issues the Independent Expert's Report, which concludes that the Scheme is in the best interests of Target Shareholders and the Independent Expert does not withdraw or qualify its conclusion in any written update to its Independent Expert's Report or withdraw the Independent Expert's Report prior to 8.00 am on the Second Court Date
■ No MAE	
■ Regulatory approval	■ FIRB
■ No injunction	
■ No regulatory actions	■ As at 8.00 am on the Second Court Date, there is not in effect: ■ (a) any temporary, preliminary or final decision, order, injunction or decree issued by a court or other Government Agency; or ■ (b) any action or investigation by any Government Agency outside of Chile, in consequence of, or in connection with, the Transaction which restrains, prohibits or impedes the implementation of the Transaction (including the acquisition of any or all of the Scheme Shares by Bidder) or any part of it.
■ Reps and warranties	
■ Target Unlisted Securities	■ As at 8.00am on the Second Court Date, binding arrangements have been put in place to deal with the Target Unlisted Securities (other than any Target Unlisted Securities which have expired or have been exercised by, and the resulting Target Shares have been issued to, the holder), on the following terms: ■ (a) Target Unlisted Securities which are to be cancelled or extinguished, are cancelled or extinguished by the Implementation Date; and

- Maricunga Authorisations
- (b) Target Unlisted Securities which are to be exercised, the resulting Target Shares are issued prior to the Record Date.
- As at 8.00 am on the Second Court Date, no material Authorisation for the Maricunga Project, other than the Authorisation granted by the Chilean Nuclear Energy Commission, has been forfeited, terminated, cancelled, suspended or materially varied

#### LPI AU MAC Definition

- means an event, matter or circumstance that occurs, is announced or becomes known to Bidder after the date of this deed which, either individually or when aggregated with all such events or circumstances that have occurred, has had or would be reasonably likely to have the effect of **diminishing the consolidated net asset value of the Target Group** (calculated in accordance with the accounting policies and practices applied by Target as at the date of this deed and calculated on the date of the relevant event, matter or circumstance) **by an amount of at least \$40 million.**

#### LPI AU MAC Carve-outs

- (a) relating to a Permitted Event;
- (b) arising from a Chilean Lithium Policy;**
- (c) which is the payment of, or incurring by, the Target Group of costs and expenses relating to the Transaction substantially in accordance with the Budget and Work Program;
- (d) arising as a result of a change to legislation or regulation, any judicial or administrative interpretation of the law or any practice or policy of a Government Agency (whether or not retrospective in effect), including in relation to Tax or Lithium Policy; or**
- (e) that arises as a result of general changes in economic, political or business conditions (including interest rates, commodity prices and exchange rates), or in securities, credit or financial markets including material adverse changes or major disruptions to, or fluctuations in, the industry in which Target operates, or acts of terrorism, outbreak or escalation of war (whether or not declared), natural disaster or the like, including any epidemic or pandemic including those associated with COVID-19,

provided, further, however, that any event, matter or circumstance set forth in subclause (e) above may be taken into account in determining whether there is or has been a Target Material Adverse Effect to the extent that such event, matter or circumstance has had or could reasonably be expected to have, individually or in the aggregate, a **disproportionately adverse effect on Target compared to other similarly situated entities of similar characteristics in the lithium industry in Chile.**

#### Break fees

- **Break fee** ■ Break Fee means \$3,850,000 (exclusive of GST).
- **Reverse break fee** ■ The SID also details circumstances under which LPI may be required to pay a break fee to Codelco and circumstances where Codelco may be required to pay LPI a reverse break fee, both equivalent to approximately A\$3.85 million.

#### Antitrust related clauses

- **Jurisdictions** ■ Australia (FIRB), Chile
- **Divestiture obligation** ■ No
- **Litigation obligation** ■ N/A
- **Reverse break fee (regulatory)** ■ No

#### Governing Law

Australia

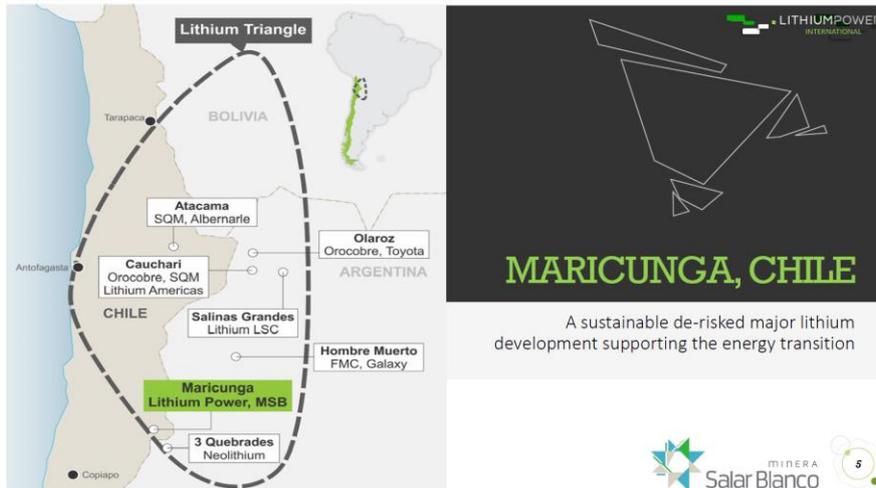
#### Key LPI AU shareholders

Minera Salar Blanco SpA	28.25%
Directors	4.25%
Nero Resource Fund	2.8%
Treasury Services Group	2.6%
Nabide Pty Ltd	1.9%

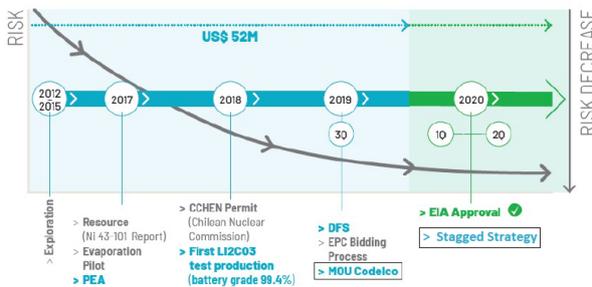
## Co descriptions & rationale for the merger

### LPI AU DESCRIPTION

- Lithium Power has projects in Chile and Australia, according to its website. Its Maricunga project, located within the so-called lithium triangle in northern Chile, is estimated to contain about 1.9 million tons of lithium carbonate equivalent.
- Lithium Power owns Chile's largest permitted brine project Maricunga, among other projects in Pilbara, Western Australia.
  - The firm's projects in Western Australia are still in exploration stage.
- Maricunga
  - Lithium Power is expected to commence construction in the second half of 2023. Over the past 11 years, nearly \$US70 million has been spent on taking the project from early exploration to construction.
  - Maricunga Stage One is fully permitted for construction. Its Environmental Permit was approved in 2020 and ratified in 2022 by the Committee of Ministers of the Chilean Government. All objections submitted by third parties were rejected. Maricunga also has the necessary Chilean Nuclear Energy Commission (CCHEN) permit so that lithium can be exported
  - The development is one of Chile's few projects that has undertaken a comprehensive indigenous consultation process. LPI has incorporated all social and community agreements into its environmental permit.
  - The pre-1979 Old Code concessions held by the Company do not require a Special Lithium Operation Contract (CEOL) for exploitation
  - LPI reported in early 2023 that it had produced lithium carbonate from concentrated brine sourced at Maricunga to a level of 99.92 per cent purity. This significantly exceeded industry standard specifications for battery grade lithium carbonate of 99.5 per cent. A Loss of Ignition test was conducted for 30 minutes and 500 degrees C, returning a low 0.2 per cent. The purity after LOI was 99.72 per cent.
  - Maricunga is among the most efficient producers with an OPEX of US\$3,718 per tonne. The project is projected to produce 15,200 tonnes per annum over 20 years with a pre-tax NPV of US\$1.97B.
- **The sale of LPI's wholly owned Australian subsidiary, Western Lithium Ltd (WLI), has been completed with Albemarle Lithium Pty Ltd. The transaction involved the sale of 100 per cent of WLI's shares and comprises all cash-for-shares amounting to A\$30 million.**
  - **Titus Minerals remains owned by LPI but is subject to a Call Option with Albemarle as part of the sale of Western Lithium in July 2023. Titus holds LPI's remaining Australian asset, WA Greenbushes.**
    - Greenbushes: Lithium Power holds granted exploration properties extending over 399.7 square kms in the Greenbushes region of southern Western Australia.
    - They are adjacent to and along strike from the Greenbushes lithium mine containing 119.4 Mt @ 2.42% Li<sub>2</sub>O and owned and operated by Tianqi/Albemarle. These granted exploration properties are 100% owned by Lithium Power International.
  - WLI owns Western Australian assets including Pilgangoora and Tabba Tabba.
    - Pilgangoora:
      - The LPI Pilgangoora property (E45/4610) covers an area of 63 km<sup>2</sup> and is located adjacent to the Pilbara Minerals (PLS) and Altura Mining (AJM) lithium development projects which are both at the definitive feasibility stage. The district contains lithium pegmatites that are relatively flat lying and have very favorable low strip ratios for open cut mining with complimentary metallurgical properties.
    - Tabba Tabba:
      - The LPI Tabba Tabba property covers a 20km strike of highly prospective greenstone units identified through mapping and regional magnetic surveys. The Tabba Tabba project is immediately north-west of FMG's Tabba Tabba project and contains the same greenstone belt that FMG is extensively drilling. This band of mafic rocks extends south-east into the area where De Grey Mining have successfully drilled lithium and gold anomalies approximately 20km to the south-west. The belt hosted a historical tantalum deposit immediately north of LPI's Tabba Tabba property.

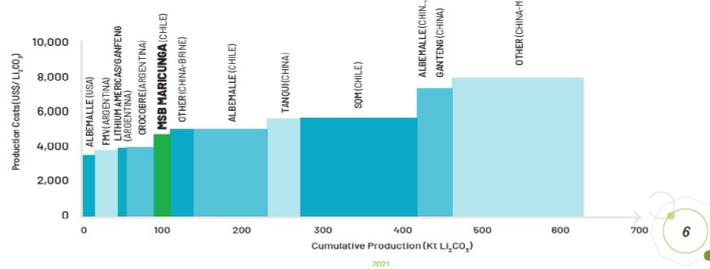


## De-Risking the World's next Lithium Producer



2021  
Strategic alliance with MITSUI  
✓ Offtake and funding rights  
✓ New developments and DLE technology testing

### COMPETITIVE CASH COST



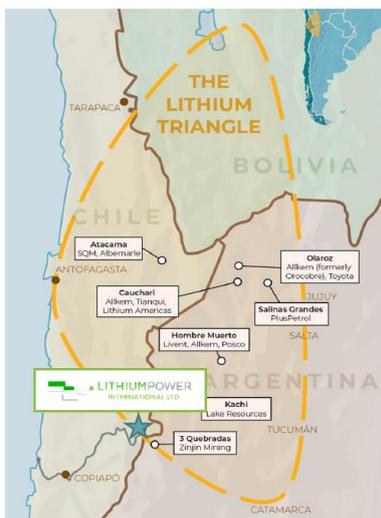
### OUTSTANDING ECONOMICS

90% increase on M+I Resources and significant exploration target with more than 2 million tonnes of LCE potential

### SOLID BASE FOR FUTURE EXPANSIONS

### 1. MARICUNGA PROJECT

## CHILE'S NEXT SUSTAINABLE LITHIUM PRODUCER



POTENTIAL TO REACH 30K

#### STAGE ONE

- 15,200 tpa Lithium Carbonate Battery Grade for 20 years
- USD 1.4 Bn after-tax NPV
- Capex: US\$ 626 M
- Cash Cost: US\$ 3,718/t
- Fully permitted
- Ready for construction
- Conventional, low risk and low impact evaporation process, proven technology
- Forced Evaporation innovation:
  - Footprint reduction
  - Efficiency increase - +65%
  - Fresh water reduction

#### FUTURE EXPANSION

- Production: 15,000 tpa LCE
- DLE - Pilot Plant recovers in excess of 90%
- Shared infrastructure
- Current testing:
  - Fresh water consumption
  - Energy usage
  - ReInjection - Pending regulation

Source: LPI

## CODELCO DESCRIPTION

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- **Codelco is a Chilean State-owned company** and the world's largest copper producer, which controls approximately 5.4% of the world's proven and probable copper reserves; as defined by the U.S. Geological Survey. Codelco also has a lithium division that comprises mining tenements and key strategic permits to develop lithium projects in the Maricunga and Pedernales salt flats, and the National Lithium Strategy announced by the Chilean Government in April 2023 entrusted Codelco the development of lithium projects through public-private associations.
- Codelco has been struggling with copper mine mishaps and project delays while its debt load has been piling up.
- In August, Chile's Center for Copper and Mining Studies said in a report that Codelco was at risk of insolvency due to rising costs and a growing debt pile stemming from projects that missed output targets.
- Moody's Investors Service recently **cut its investment-grade credit rating** by one notch and assigned a negative outlook.
- Codelco makes more than \$US5 billion (\$7.8 billion) in annual earnings. It recently issued \$US2 billion in bonds in a deal that was heavily oversubscribed.
- Codelco, the world's largest copper producer, has started talks with lithium miner SQM, with the intention of taking control of the company and says it plans to finish negotiations by the end of the year.
- Codelco, which is planning to fund the LPI acquisition with existing resources.

## Key risks

### REGULATORY RISKS, TIMING, SHAREHOLDER VOTE, COUNTER BID

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- The shareholder vote is expected to be held in late January 2024.
- FIRB approval is a deal condition.
  - **The company has sold its Australian operations to Albemarle in July 2023.**
  - The transaction involved the sale of 100 per cent of LPI subsidiary, Western Lithium's shares and comprises all cash-for-shares amounting to A\$30 million.
  - Titus Minerals remains owned by LPI but it is subject to a Call Option with Albemarle as part of the sale of Western Lithium in July 2023.
    - Titus holds LPI's remaining Australian asset, WA Greenbushes.
- **Based on the above, we expect FIRB approval to be granted as LPI is left with no major Australian business.**
- We note that the National Lithium Strategy respects Albemarle's contract to run its Salar de Atacama operations until 2043.
- The transaction is conditioned on no opposition from Government Agencies including the Ministry of Mining of Chile, the National Service of Geology and Mining (Sernageomin) of Chile, the Chilean Nuclear Commission (CECHEN), the Chilean Tax Authority.
  - **Chilean regulatory issues are unlikely, given Codelco's position as a state-owned company is in line with the country's policy.**

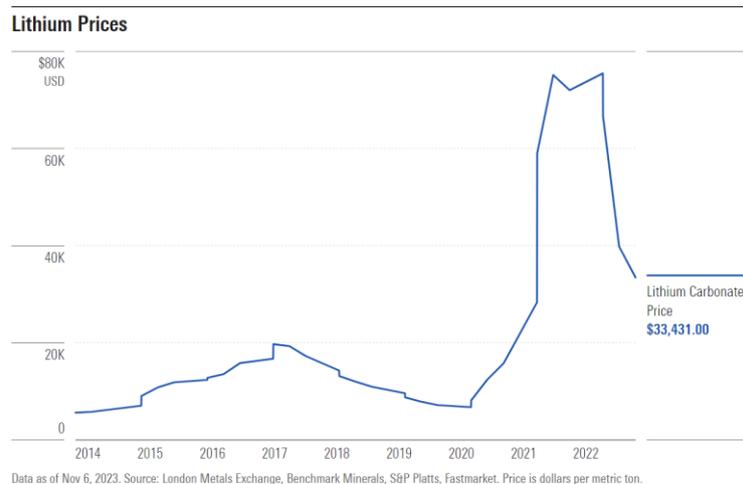
### Shareholder acceptance

- LPI's major shareholder, Minera Salar Blanco SpA, intends to vote its 28.25% shareholding in favour of the Scheme subject to the Independent Expert concluding that the Scheme is in the best interests of LPI shareholders. All members of the LPI Board also intend to vote their LPI shares in favour of the Scheme, subject to the same qualifications.
  - Minera Salar Blanco SpA is an entity controlled by LPI Director, Mr Martin Borda
- The directors of LPI directly or indirectly own or control, in aggregate, 204,329,127 LPI shares, being 32.5 % of the current LPI's shares on issue.
- **A counter bid is unlikely due to the uncertain legal status of the company in Chile. There is debate around the validity of the company's licenses for lithium production following the announcement of the new regime earlier this year.**
- **While the valuation is well below the main project's NPV estimate, the main shareholder supports the acquisition, and the Chilean government's dominant position makes a shareholder push for a higher price unlikely.**
- **Mineral resource estimate:**
  - The 358k Li metal translates into 1.9mln LCE (Measured & Indicated).
  - The deal value in USD is around 245mln.
  - The USD129 / tonne LCE (M+I) valuation is well below the \$400-600/t range (Proven & Probable reserves) we have seen during the peak in Lithium prices.

STAGE ONE MINERAL RESOURCE ESTIMATE FOR LITHIUM METAL (LI) AND POTASSIUM

	Measured (M)		Indicated (I)		M+I	
	Li	K	Li	K	Li	K
Area (Km <sup>2</sup> )	4.5		6.76		11.25	
Aquifer volume (km <sup>3</sup> )	1.8		1.8		3.6	
Mean specific yield (Sy)	0.09		0.12		0.1	
Brine volume (km <sup>3</sup> )	0.162		0.216		0.378	
Mean grade (g/m <sup>3</sup> )	87	641	111	794	99	708
Concentration (mg/l)	968	7,125	939	6,746	953	6,933
Resource (tonnes)	154,500	1,140,000	203,500	1,460,000	358,000	2,600,000

Source: LPI



Source: morningstar.com

Date	Target	Buyer	Price(mUS\$)	Proven and probable LCE (Tonnes)	Price/ tonne
2022.03.29	Rincon (project)	Rio Tinto Group	825	2000000	\$ 412,50
2022.01.26	Neo lithium Corp. (Company)	Zijin Mining Group Co.Ltd.	765	1294000	\$ 591,19
2022.01.25	MilennialLithium Corp. (Company)	lithiumAmericas Corp.	491	943000	\$ 520,68
2022.04.20	Arcadia (project)	Zhejiang Huayou	422	1253000	\$ 336,79
	Liontown(Company)	Albemarle	3650	2268341	\$ 1 362,78
				410000	

Source: CBR

### Uncertain status of Chilean operations

- AFR: Chile [has put out a complicated strategy](#) paper that boils down to three alternative endings for companies whose licences were created before 1979 – as Lithium Power’s were.
  - That type of licence is invalid if lithium mining is not specifically permitted, or if lithium mining was tacked on to the licence after 1979, according to one interpretation of the new rules. Alternatively, a licence handed out before 1979 is valid if the project is developed with Codelco, the state agency.
  - **The local *El Mercurio de Antofagasta* suggested the pre-1979 licences held by Lithium Power specifically did not include lithium.**
  - Carlos Claussen, a leading lawyer in Chile, told Street Talk that while significant uncertainties remained about how the new rules were interpreted, “in my opinion, the most harmonious and logical interpretation is the second one, that is, those concessions granted before 1979 did not include lithium within their object”.
  - **“Therefore, if the mining concessions of Lithium Power granted before 1979 only had the exploitation of non-metallic substances as their object, they would be valid and could exploit that type of substances, but it would not enable them to exploit lithium,” he added.**
- In contrast, the company claims that:
  - The standing of its concessions and permitting according to Chilean law is solid and there are not, nor have there ever been, judicial processes that have had the purpose of questioning the aptitude, rights and capacity to exploit Lithium from Mining Properties constituted prior to the year 1979.

- In addition, all rights have been confirmed and published by various administrative bodies of the State of Chile, including the Environmental Approval RCA N° 0094/2020 ratified by the Committee of Minister in January 2022, and the Chilean Nuclear Energy Commission permit (CCHEN) Resolution N° 039/2018.
- These have also been ratified by resolutions of various superficial land easements rulings of different Ordinary Courts and the Illustrious Court of Appeals of Copiapó
- Furthermore, all the previous have been ratified in the recent ruling issued by the Hon. Supreme Court on April 5, 2023.
- This has been reinforced by Legal Opinions presented during the last three years from several large and specialist law firms in Chile.
- Notwithstanding the foregoing, the company has requested the legal opinion from the most experience and well known Chilean lawyers, who, having the respective background information, have not only confirmed the aptitude, rights and capacity of its Pre-79 Assets to exploit Lithium, but they have also carried out a solid analysis and interpretation of the current Organic Constitutional and legal norms, included in the recent ruling issued by the Hon. Supreme Court on April 5, 2023.
- LPI has absolute confidence in the Chilean legal system and in its strict compliance by its authorities, including Ministers, where only the Courts have the jurisdiction to interpret laws. LPI confirms that there are not, nor have there ever been, judicial processes that have had the purpose of questioning the aptitude, rights and capacity to exploit Lithium from Mining Properties constituted prior to the year 1979.
- **The Maricunga Stage One project is fully permitted for construction.** Its Environmental Permit (“EIA”) was approved in 2020 by the “Servicio de Evaluación Ambiental” (“SEA”), which was explicitly mentioned by President Boric as the government agency in charge of environmental aspects of any future project in Chile. LPI’s EIA permit was ratified by the Committee of Ministers of the Chilean Government in 2022, rejecting all the objections submitted by third parties. It also obtained the necessary Chilean Nuclear Energy Commission (“CCHEN”) permit in 2018 that allows LPI to export lithium products from Chile.
- **The Maricunga Stage One concessions, because of their pre-1979 “Old Code” status, do not require a CEOL** (Special Lithium Operation Contract) for exploitation. The Stage One project is shovel ready, and currently awaiting the closing of its financing process to begin construction.
  - Lithium Power does not have a special lithium operation contract (CEOL).

## Valuation

### DEAL PREMIUM

- The consideration payable under the Scheme implies a fully diluted equity value for LPI of ~A\$385 million and represents a significant premium of:
  - 119% to the undisturbed closing share price of A\$0.26 per LPI share on 26 September 2023, being the Undisturbed Date; and
  - 136% to the undisturbed 30-day VWAP of A\$0.242 per LPI share up to and including the Undisturbed Date.

### NPV

- The deal values LPI at A\$385m, which is well below Maricunga project’s NPV estimate.
- Based on an updated Definitive Feasibility Study released in January 2023, the Maricunga Stage One of the project development should yield a \$US1.4B net present value.
- Maricunga is among the most efficient producers with an OPEX of US\$3,718 per tonne. The project is projected to produce 15,200 tonnes per annum over 20 years.

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**Disclosures:**

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