



# Sigma Lithium Presents Corporate Update, COVID Response and 2019 Annual Results

## Highlights the achievement of significant milestones by the Company

VANCOUVER, British Columbia, May 19, 2020 -- SIGMA Lithium Resources Corporation ("**Sigma**" or the "**Company**") (TSX-**V: SGMA**) (OTC-**QB: SGMLF**) is pleased to present the project progress update and announce the filing of its financial statements and management's discussion and analysis for the year ended December 31, 2019.

### COVID-19 RESPONSE

Sigma's management has been continuously assessing the situation and taking the necessary actions to address employee health and safety. Sigma is abiding by all government restrictions relating to COVID-19, notably in Sao Paulo and Toronto, where administrative and support staff, as well as third party accounting service providers have been working from home. The Company has implemented several protocols, including significantly restricting travel and generally requiring remote working for administrative personnel. Due to Sigma's pre-operating status, the required changes at its Grota do Cirilo project (the "**Project**") have not been substantial.

Sigma is actively supporting its communities of Itinga and Aracuai in the Jequitinhonha Valley. As previously announced, the Company procured 12 tons of sodium hypochlorite (hospital sanitizer liquid bleach) to be distributed to numerous hospitals, medical clinics, prisons, nursing homes, care centers for people with disabilities and religious entities in the Vale do Jequitinhonha region. This amount should supply them until December 2020. The municipality of Itinga conducted a comprehensive disinfecting program of the municipal food marketplace and public areas using the chemicals provided by Sigma.

"While we remain fully committed to bringing Sigma to production, our top priority will continue to be protecting the health and safety of our employees and their families and our communities," commented Calvyn Gardner, Sigma's CEO. "I couldn't be prouder of the way our employees, our communities in Vale do Jequitinhonha have responded to these unprecedented times. We have been actively supporting the efforts of the municipalities of Itinga and Aracuai to address this challenge. We will continue to engage with the municipalities to plan new initiatives in the coming months."

As of May 15<sup>th</sup>, 2020, the Brazilian government has not introduced measures which impede the normal operation of the Project. On March 20, 2020, the Brazilian Ministry of Mines and Energy issued a decree which includes the mining sector amongst the industries considered to be "essential" to the prosperity and economy of the country. As a result, the on-site activities of operational and pre-operational mining companies in Brazil are not subject to the physical movement restrictions and shelter-in-place, lockdowns and state border restrictions imposed by certain states and municipalities as a result of the COVID-19. Nevertheless, the Company is following closely other macroeconomic, capital markets, political and social changes that will affect the Company as a result of the COVID-19 outbreak and its impact on the auto industry and demand for electric vehicles.

### MOST RECENT HIGHLIGHTS SUBSEQUENT TO THE YEAR-END AND IN 2019, (IN REVERSE CHRONOLOGICAL ORDER):

- Following the submission and ongoing review by ANM ("*Agência Nacional de Mineracao*") in Brazil of the PAE ("*Plano de Aproveitamento Economico*") for the Barreiro deposit at the Project, Sigma has commissioned its environmental studies and initiated the process of obtaining its environmental license in Minas Gerais.
- On March 16, 2020, Sigma formally engaged Banco do Brasil S.A. ("**BB**"), Brazil's largest bank, to advise and support the Company to prepare a financing package to fund the Company. BB has been in active discussions with various development banks and development agencies in Brazil: Banco do Nordeste (BNB), BNDES, BDMG and FINEP (the "**Development Banks**"). The Company is seeking commitments from the Development Banks for an aggregate amount to complete a financing package that, added together with the remaining US\$27 million portion of the Mitsui Pre-Payment (defined below), would fund the Project construction in full.
- On February 21, 2020, Duro Felguera ("**DF**") and Primero Group Americas Inc. (a subsidiary of Primero Group Ltd.) ("**Primero**") successfully completed the first phase of Early Contractor Involvement ("**ECI**") with Sigma and provided an updated Guaranteed Maximum Price ("**GMP**") of US\$70 million for the engineering, procurement and construction ("**EPC**") of the Project. The construction cost in the GMP of US\$59 million was lower than the US\$66 million for plant and infrastructure estimated in the Feasibility Study Report (as defined below). For comparison purposes and to maintain consistency with the Feasibility Study Report, the GMP was calculated utilizing the same foreign exchange rate of the Feasibility Study Report of US\$ 1 = BRL 3.85. On May 15<sup>th</sup> the exchange rate was US\$ 1 = BRL 5.89. The

approximate 50% devaluation of the Brazilian Real to date will have the overall effect of decreasing the expected capital expenditure (“Capex”) of the Project, a material portion of which is expected to be sourced domestically in Brazil and is, therefore, to be denominated in Brazilian Real. The parties are currently negotiating a Memorandum of Understanding formalizing the next steps of the detailed engineering phase of the Project.

- On November 29, 2019, the Company entered into an agreement with A10 Group, a group of companies owned by certain directors of the Company providing for a \$6.6 million (US\$5 million) revolver credit facility (the “**A10 Group Credit Facility**”), bearing interest at 11% per annum, calculated from the day funds are drawn. This facility has a one-year term, which is the maturity for all funds drawn, and allows funding for lender approved expenses. As of December 31, 2019, \$311,760 (US\$240,000) had been drawn on the A10 Group Credit Facility. As of May 14, 2020, \$1,388,732 (US\$986,000) had been drawn on this facility.
- On November 8, 2019, the Company’s Chief Strategic Officer addressed the World Climate Summit during the United Nations Climate Change Conference COP 25 in Madrid and presented the case study of the Company as an ESG “green lithium” company and the role played by its investors in providing the capital and the leadership to drive the implementation of environmental and social best practices.
- On November 6, 2019, the Company filed the technical report titled “Grota do Cirilo Lithium Project, Araçuaí and Itinga Regions, Minas Gerais, Brazil, National Instrument 43-101 Technical Report on Feasibility Study Final Report”, dated October 18, 2019 and with an effective date of September 16, 2019 (the “**Feasibility Study Report**”) on SEDAR ([www.sedar.com](http://www.sedar.com)). Based on the design considered by the Feasibility Study Report, the Project’s commercial production plant will have the capacity to process 1.5 million metric tonnes of spodumene ore per year, expandable to 3 million metric tonnes within the same production complex. The lithium process design is proprietary and includes Dense Media Separation (“DMS”) technology. The commercial production plant design is projected to produce 220,000 tonnes of high-quality battery-grade 6% lithium oxide concentrate per annum, with one of the lowest reported levels of impurities in the world. At a later stage, Sigma has the option to double the commercial production plant capacity to process 3 million metric tonnes of spodumene ore per year, producing an expected 440,000 tonnes of high-quality battery-grade 6% lithium oxide concentrate, subject to completion of all related studies and assessments. The economic analysis in the Feasibility Study Report includes an after tax NPV for the Project’s Xuxa deposit and the commercial production plant of US\$249 million, IRR of 43% and payback of 3.1 years. The Feasibility Study Report includes (i) a Mineral Reserves estimate of 10.27 million tonnes of proven reserves with 1.45% Li<sub>2</sub>O content and 3.52 million tonnes of probable reserves with 1.47% Li<sub>2</sub>O content, and (ii) a Mineral Resources estimate of 26.34 million tonnes of measured resources with 1.39% Li<sub>2</sub>O content, and 19.44 million tonnes of indicated resources with 1.37% Li<sub>2</sub>O content and 6.6 million tonnes of inferred resources. This represents approximately 1,560,919 tonnes of Lithium Carbonate Equivalent (“**LCE**”) in the measured and indicated categories, with a further 220,070 tonnes LCE in the inferred category. The estimates were prepared using a cut-off grade of 0.5% Li<sub>2</sub>O.
- In July 2019, the Company filed at the ANM (“*Agência Nacional de Mineração*”) in Brazil the PAE (“*Plano de Aproveitamento Econômico*”) for the Project’s Barreiro deposit. The PAE is the study required by the Brazilian regulators to authorize the commencement of commercial mining activities, and an approved PAE is required for the environmental licensing process. Sigma initiated sample selection for metallurgical studies and pre-feasibility level test work for the Barreiro deposit in order to confirm that its lithium spodumene can be economically processed through the same DMS processing circuit of the commercial production plant designed to process the spodumene of the Project’s Xuxa deposit.
- On June 11, 2019, the Company announced that it had obtained the required environmental licenses for both construction (“LP”) and installation (“LI”) of the commercial production plant from the environmental authority of the State of Minas Gerais, the Council of Environmental Policy (“*Conselho Estadual de Política Ambiental – COPAM*”) in Brazil. COPAM has issued a Dual LP and LI Certificate for a period of six years expiring on May 31, 2025.
- In April 2019, lithium spodumene concentrate samples were validated by several large potential customers in the chemical and cathode industries, who confirmed their exceptional quality (battery grade above 6%) and very low impurities (specifically low levels of alkaline elements and iron, both well below 1%). The Company has received significant interest in long-term offtake arrangements for its spodumene concentrate.
- On April 5, 2019, the Company announced the execution of a binding heads of agreement for an offtake of spodumene concentrate (the “**Mitsui Pre-Payment**”) with Mitsui & Co. Ltd. (“Mitsui”).
- In February 2019, the definitive Water License for the construction of the commercial production plant was granted by Agência Nacional de Águas, the Federal government water agency of Brazil.
- Also in February 2019, certain tax incentives and exemptions were received under an economic development program administered by SUDENE, a Brazilian federal government agency.
- On January 10, 2019, the Company announced that an updated mineral resource estimate for the Project has been completed by SGS consisting of measured and indicated resources of 45.7 million tonnes and inferred resource of 6.6 million tonnes. This represents approximately 1,560,919 tonnes of Lithium Carbonate Equivalent (“**LCE**”) in the measured and indicated categories, with a further 220,070 tonnes LCE in the inferred category, tripling the mineral resource reflected in the previous estimate. The estimates (which are also reflected in the Feasibility Study Report) were prepared using a cut-off grade of 0.5% Li<sub>2</sub>O. The technical report, was filed on February 25, 2019 at

**FINANCIAL RESULTS**

Selected consolidated financial information is presented as follows:

<i>(in CAD \$thousands except per share information)</i>	<b>Year ended December 31,2019</b>	<b>Year ended December 31,2018</b>
<b>General and Administrative Expenses</b>	(3,907.8)	(6,317.0)
<b>Net Loss</b>	(5,075.0)	(10,450.1)
<b>Net Comprehensive Loss</b>	(5,175.80)	(10,664.00)
<b>Loss per Common Share - Basic and Diluted</b>	(0.07)	(0.23)
<b>Cash and Cash Equivalents</b>	103.6	4,160.8
<b>Total Assets</b>	20,927.2	19,076.7
<b>Total Liabilities</b>	(12,187.9)	(7,694.8)

The Company's net loss totalled \$5,074,967 for the year ended December 31, 2019, with basic and diluted loss per share of \$0.07. This compares with a net loss of \$10,450,133 with basic and diluted loss per share of \$0.23 for the year ended December 31, 2018. The decrease in net loss of \$5,375,166 was principally because of lower general and administrative expenses, which totalled \$3,907,847 for the year ended December 31, 2019 (2018 - \$6,317,042).

At December 31, 2019, the Company had cash and cash equivalents of \$103,640, compared to \$4,160,792 at December 31, 2018. The decrease in cash of \$4,057,152 from the December 31, 2018 cash balance of \$4,160,792 was the result of net cash inflows in operating activities of \$409,731 (net of the initial tranche of the Mitsui Pre-Payment), cash outflows from investing activities of \$4,893,174; cash inflows in financing activities of \$377,608, and positive effect of exchange rate fluctuations on cash held in foreign currency of \$48,683.

Management believes that the Company has access to sufficient funds for its planned expenditures for the next 12 months and to meet certain ongoing obligations with third parties. The Company has considerable flexibility in terms of the pace and timing of project costs and how expenditures have been, or may be, adjusted, limited or deferred subject to current capital resources and the potential to raise further funds. The CAD\$6.6 million (US\$5 million) A10 Group Credit Facility provides additional support for the Company's needs. As of December 31, 2019, \$311,760 (US\$240,000) had been drawn on the A10 Group Credit Facility. As of May 15, 2020, \$1,388,732 (US\$986,000) had been drawn on the A10 Group Credit Facility.

**NEXT STEPS FOR SIGMA FOR 2020 (SUBJECT TO COVID-19 DEVELOPMENTS)**

It is not possible to reliably estimate the length and severity of the COVID-19 pandemic or its ultimate impact on the financial results and condition of the Company and its operating subsidiaries in future periods. Therefore, Sigma has been focusing on advancing the Project to construction, prioritizing the activities that can be mostly executed with Brazilian-based personnel and that require a limited amount of inbound and outbound travel to and from Brazil. In 2020, subject to COVID-19 developments, the Company intends to:

- Continue to work closely with both the Development Banks and other international and Brazilian financial institutions to finalize financing for the Project construction in full.
- Following the approval of the PAE ("*Plano de Aproveitamento Economico*") for the Barreiro Deposit, continue to execute the environmental licensing process for the Project's Barreiro deposit, prepare the RIMA report and file with SUPRAM ("*Superintendência Regional do Meio Ambiente*").
- Finalize the negotiations with DF and Primero to initiate the detailed engineering to build the commercial production plant.
- Finalize the ongoing pre-feasibility study for the Barreiro Deposit, validating the economic potential and production costs outlined in the PAE, as well as its mineral reserve estimate. Mining the Barreiro deposit, subject to completion of all related feasibility studies and assessments, has the potential to double the average annual production capacity of the commercial production plant to 440,000 tonnes per year.
- Continue ongoing negotiations with offtake customers and potential partners in order to finalize binding off-take agreements (interested parties to date include companies from the lithium, mining, chemicals, battery and automotive sectors), and conclude formalizing a binding additional offtake commitment with Mitsui.

**MINOR DELAYS IN FILING 1Q 2020**

As a result of Sigma experiencing initial unforeseen difficulties implementing "home office" working practices for its administrative staff in Sao Paulo and Toronto in March, the company experienced a 15-day delay in filing its 2019 annual disclosure documents required under National Instrument 51-102 ("NI 51-102"). These difficulties have been resolved and administrative activities are normalized.

However, the minor delay will be carried into filing the first quarter disclosures. Sigma is continuing to work diligently and expeditiously and the first quarter 2020 filings are expected to be completed on or before June 15, 2020. The Company

confirms that since the recent filing of its 2019 annual financial statements, there have been no material business developments other than those disclosed through news releases.

Sigma will be relying on Blanket Order 51-517 – Temporary Exemption from Certain Corporate Finance Requirements of the British Columbia Securities Commission and similar exemptions provided by the Ontario Securities Commission, which allow for a delay in required quarterly disclosure document filings in light of the COVID-19 pandemic.

Sigma will be relying on the temporary exemption with respect to the following provisions: (i) The requirement to file interim consolidated financial statements for the three month period ended March 31, 2020 within 60 days of the end of the three month period ended March 31, 2020, as required by section 4.4(b) of NI 51-102; (ii) the requirement to file management discussion and analysis for the period covered by such first quarter financial statements within 60 days of the end of the first quarter as required by section 5.1(2) of NI 51-102; and (iii) the requirement to file certifications of the first quarter financial statements pursuant to section 5.1 of National Instrument 52-109.

In the interim, management and other insiders of Sigma are subject to a management trading black-out policy as described, in principle, in section 9 of National Policy 11- 207.

### **INDEPENDENT QUALIFIED PERSON**

The technical and scientific information in this press release has been reviewed and approved by Marc Antoine Laporte, P.Geo., M. Sc., of SGS Canada Inc. Mr. Laporte is a Qualified Person as defined by National Instrument 43-101 and is independent of Sigma.

### **ABOUT SIGMA LITHIUM**

Sigma is a Canadian company and produces environmentally sustainable battery-grade lithium concentrate on a pilot scale since 2018, shipping high-quality above 6% Li<sub>2</sub>O coarse lithium concentrate samples to potential customers in Asia. Based on the technical report titled "Grotta do Cirilo Lithium Project, Araçuaí and Itinga Regions, Minas Gerais, Brazil, National Instrument 43-101 Technical Report on Feasibility Study Final Report", dated October 18, 2019 and with an effective date of September 16, 2019, a larger-scale lithium concentration commercial production plant will contemplate a capacity of 220,000 tonnes annually of battery-grade low-cost lithium concentrate and Sigma will be amongst the lowest-cost producers of lithium concentrate globally.

To secure a leading position supplying the clean mobility and green energy storage value chain, Sigma has adhered to the highest standards of environmental practices in line with its core values and mission since starting activities in 2012. Sigma's production process is powered by hydroelectricity and the Company utilizes state-of-the-art dry-stacking tailings management and water-recycling techniques in its beneficiation process. Its corporate mission is to execute its strategy while embracing strict ESG principles. Sigma's shareholders include some of the largest ESG-focused institutional investors in the world.

### **FOR ADDITIONAL INFORMATION PLEASE CONTACT**

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### **FORWARD-LOOKING STATEMENTS**

This news release includes certain "forward-looking statements" under applicable Canadian securities legislation including statements relating to the timing for the filing of the quarterly continuous disclosure documents and other forward looking statements. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. All statements that address future plans, activities, events, or developments that the Company believes, expects or anticipates will or may occur are forward-looking information, including statements regarding the potential development of resources and drilling plans which may or may not occur. Forward-looking statements and information contained herein are based on certain factors and assumptions regarding, among other things, the ability to complete the Annual Filings and Interim Filings; the market price of the Company's securities, metal prices, exchange rates, taxation, the estimation, timing and amount of future exploration and development, capital and operating costs, the availability of financing, the receipt of regulatory approvals, environmental risks, title disputes, litigation risks, failure of plant, equipment or processes to operate as anticipated, accidents, labour disputes, claims and limitations on insurance coverage and other risks of the mining industry, changes in national and local government regulation of mining operations, and regulations and other matters including the COVID-19 pandemic. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. For more information on the risks, uncertainties and assumptions that could cause our actual results to differ from current expectations, please refer

to our public filings available at [www.sedar.com](http://www.sedar.com).

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