

Lithium moving up in the world

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Kristie Batten | 21 Dec 2017 | 8:04 | Feature

AFTER a surge in activity last year, 2017 was the year the lithium sector came into its own.



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This year was going to prove whether there was real legs to the lithium boom of 2016, which saw as many as 60 ASX juniors jump into the sector at its hottest point.

Announcements from governments and carmakers through 2016 and 2017 has made it clear that lithium – and the battery storage story driving it – is no fad.

Pricing has continued to steadily rise through the year, with carbonate prices reaching US\$21,000 per tonne in November, up from \$15,500/t at the end of last year.

At the same time, a bona fide group of Australian producers have cemented their places in the lithium world.

Producers Galaxy Resources and Orocobre were both added to the ASX 200 late last year, joining diversified producer Mineral Resources, while Pilbara Minerals is the newest addition to the benchmark index this month.

Galaxy, Orocobre and NeoMetals/MinRes have been ramping up spodumene production, while MinRes set up a direct shipping ore operation from Wodgina in just 45 days.

Pilbara Minerals, Altura Mining and **Tawana Resources** are all set to join the producer ranks early next year.

Corporate action picks up

Former iron ore executive and current Pilbara boss Ken Brinsden first likened the situation in China in lithium to what it was like in iron ore in the early 2000s in that it would be a race to secure supply.

Henslow director – corporate Andrew Woodmore echoed that sentiment at IMARC in Melbourne last month

“Lithium and other battery metals are seemingly scarce,” he said.

“The Chinese are hungry to secure supply.”

Kidman Resources managing director Martin Donohue told the conference that securing supply was like an “arms race”.

In recent months, Chinese companies have stepped up activity in the battery metals space.

KPMG Australia partner and global lead, mining M&A Greg Evans said car electrification was driving investment.

“Like all M&A, you need external shocks to the market to activate new commodities,” he said.

“I think we’ll continue to see non-core commodities come to the fore.”

Evans said Chinese players Ganfeng and Tianqi had already invested heavily in Australia and expected that to continue.

“I think that capital still wants to flow out of China and into our assets,” he said.

Ganfeng is already involved in Mt Marion and has invested in Pilbara mid-year, but it was also busy offshore.

Early in the year, Ganfeng invested US\$174 million in Toronto-listed Lithium Americas Corp for 19.9% of the company, the right to buy up to 70% of the lithium carbonate production from the Cauchari-Olaroz project, and a \$125 million debt facility.

Days later, LAC announced that Thai Energy player Bangchak Petroleum Public Company would provide \$112 million in financing for Cauchari-Olaroz and increase its stake in LAC to 16.4%.

Pilbara also attracted Chinese automotive giant Great Wall Motor Company as an investor and strategic partner, which was significant given it was the first direct investment by a carmaker in a lithium company.

Birimian announced the A\$107 million sale of its Bougouni project to Shandong Mingrui early in the July, which was a surprise to many in terms of its size for what is still a relatively modest deposit.

The deal immediately had its doubters, and collapsed soon after when Shandong was unable to stump up the deposit.

Last week, Chinese institution NextView Capital agreed to pay C\$53.5 million for a 19.9% stake in Toronto and London-listed developer Bacanora Minerals. It followed a \$16.9 million investment by Japan’s Hanwa Co in April.

NextView showed it meant business by following up its Bacanora investment on Monday with a \$265 million takeover offer for Canada's Lithium X Energy Corp, owner of brine projects in Argentina's Lithium Triangle.

"The acquisition of Lithium X's wholly owned flagship project, the Sal de los Angeles lithium project represents a key cornerstone investment in NextView's strategy of developing a leading global player in the new energy sector," NextView managing partner Yaping He said.

Outside the Chinese, Chilean major SQM ventured out of South America for the first time and into hard rock lithium in a US\$110 million deal with Melbourne-based Kidman Resources.

New York-listed SQM paid \$30 million for 50% of the Mt Holland project, and will sole-fund \$80 million of project expenditure. The partners are targeting an investment decision in mid-2018.