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‘Lack of transparency masks true demand’ for lithium

Luke Housego

Steve Promnitz, managing director of junior lithium miner Lake Resources, has brushed off concerns of oversupply in the lithium market and says a lack of transparency is masking true pricing and demand in the market.

Mr Promnitz, a former Rio Tinto geologist and Citi investment banker, said that when concerns about oversupply took hold over the past two years, the story was perpetuated as hedge funds started short on lithium stocks.

“The story of the oversupply suppressed the lithium price and the [share] price of the junior miners in the sector,” he said

“People believed there really was an oversupply issue and prices did come off.”

Lake Resources has a market capitalisation of \$20 million and has four lithium projects in the “golden triangle” of Argentina that are pre-production or exploration areas. The company is looking for an industry consumer or battery maker to support development of its Kachi lithium project, which would see it emulate Orocobre’s partnership with Toyota and Panasonic.

Mr Promnitz said that although increased lithium production coming online is affecting the market, the benchmark prices used for lithium do not give a

full picture. “The price that you do see is the lithium spodumene spot price or the lithium carbonate spot price but that [represents] less than 10 per cent of the entire market,” he said.

Lithium produced from spodumene originates from rock mined conventionally, while lithium carbonate is extracted from a brine liquid through evaporation.

Mr Promnitz said until a transparent, “look-through” benchmark was adopted by the industry, it would remain difficult to accurately assess prices.

Dan O’Neil, managing director of lithium company Sayona, said the market’s understanding of demand was also an issue, and that demand in China was not clear.

Sayona holds interests in lithium prospects in the Canadian province of Quebec. Mr O’Neil said that while China remained a significant lithium global consumer, any lithium the company produced in the future would be filled by growing US demand.

Speaking to *The Australian Financial Review* at the Energy and Minerals Investor Conference in Brisbane, managing directors agreed that the global lithium market would start seeing a rapid increase in demand over the next decade as the adoption of electric vehicles rose sharply to meet the mandatory targets set by governments.