Lithium shines amid EV boom

BY ANTHONY FEN SOM

Australia’s lithium miners are eyeing a brighter outlook amid projections of a looming supply deficit and continued escalation of demand from the electric vehicle revolution. And with government support for downstream processing and manufacturing, the industry appears set for further growth despite recent volatility.

Miners’ quiet confidence comes after recent production cuts in response to sagging prices, following a ramp-up in supply.

In October, Galaxy Resources joined the list of producers scaling back production, flagging a 40 per cent cut in output at its Western Australian lithium mine in 2020. The move followed Pilbara Minerals’ announced plans to slash output at its Pilgangoora lithium mine, including job cuts.

Pilbara blamed weakened demand from China, the world’s biggest lithium consumer, due to changes in its subsidies supporting Chinese electric vehicle (EV) production.

Others such as Altura Mining, however, have expressed confidence in the outlook, based on their ability to meet customer specifications.

‘Demand for our product continues to remain firm, reflecting the excellent quality of our concentrate, which is low in impurities and meets the preferred specifications sought after by lithium converters and battery manufacturers,’ Altura’s Managing Director, James Brown, said while announcing the company’s October shipments from its Pilgangoora mine.

‘The long-term outlook for lithium is robust and we continue to focus on generating positive operating cash flows,’ he added.

The industry’s confidence has also been backed by government.

In October, the Western Australian Government announced plans to introduce a royalty arrangement seeking to encourage downstream processing and manufacturing in the state.

Under the plan, lithium hydroxide and carbonate will face a five per cent feedstock royalty rate, where the feedstock is spodumene concentrate. The government said the new rate would ensure that all producers are treated equally.

‘Updating the royalty arrangements provides a fairer system for all lithium producers, and will enable Western Australia to move up the battery value chain beyond mining and processing,’ Western Australian Minister for Mines and Petroleum; Energy; Industrial Relations the Hon. Bill Johnston says.
While Western Australia has quickly become Australia’s lithium hotspot, other states are also keen for a share of the action.

In the Northern Territory, Core Lithium plans to develop its Finniss project to become ‘Australia’s first lithium resource outside of Western Australia’.

In Queensland, Lithium Australia is eyeing projects in the Cape York region, spanning an area of almost 5000 square kilometres, while private explorer Strategic Metals Australia has claimed the discovery of a new lithium province in Georgetown.

Australia’s government forecaster, the Office of the Chief Economist, sees Australian lithium production expanding from an estimated 288,000 tonnes in fiscal 2019 to around 358,000 tonnes by fiscal 2021.

This follows production starting at the Altura and Pilbara mines, together with Alliance Mineral Assets’ Bald Hill operation, and with expanded output from Talison Lithium’s Greenbushes mine.

QUEBEC BATTERIES
Australian lithium companies are also eyeing opportunities abroad.

In Canada, Quebec Premier François Legault has buoyed industry confidence by touting plans for ‘100 per cent Quebec batteries’ to be produced in the province.

Among those operating in Quebec, Brisbane-based Sayona Mining is seeking to apply Australian know-how combined with local knowledge, as seen with former Glencore Australia boss Michael O’Keefe’s success at Bloom Lake.
Sayona’s Managing Director, Brett Lynch, is targeting a successful turnaround at the former North American Lithium (NAL) operation, which halted production in February 2019.

In October 2019, Sayona announced it had assembled a world-class team to support its bid for NAL, including Western Australian lithium miner Altura Mining, engineering companies BBA and Hatch, financial adviser Jett Capital Advisors, and PwC.

While the bid progresses, Sayona is also advancing its nearby Authier project through the regulatory process, targeting 2020 for official approval.

‘Quebec has all the right ingredients for a successful lithium industry, with strong support from the government, world-class infrastructure and labour, access to economical hydroelectric power, and proximity to North American battery markets,’ Lynch says.

‘The United States is becoming increasingly focused on securing supplies of critical battery minerals, and Quebec is right on its doorstep.’

ARGENTINA: POLITICAL BOOST
Elsewhere, Argentina remains the focus for Australian lithium miners, including Orocobre and Lake Resources.

While October’s presidential election victory for opposition candidate Alberto Fernández surprised some observers, Fernández’s public support for the mining industry has provided reassurance.

During the election campaign, Fernández met with representatives from the lithium and energy industries, telling them he considered these sectors ‘an opportunity’ and flagging a 10-year growth plan for mining, led by lithium.

Lake’s Managing Director, Steve Promnitz, says a combination of provincial backing together with presidential support should boost confidence among investors to support new lithium projects.

‘Argentina is part of the “lithium triangle”, home to the world’s lowest-cost lithium output, which is the right place to be in the current market,’ he says.

Lake Resources is eyeing development of a direct extraction exchange process at its Kachi project, with a pilot plant to be built on site.

‘This process is potentially disruptive for the lithium brine industry, offering the potential to produce a premium, low-impurity lithium product within a matter of hours, compared to the traditional 9–24-month waiting period for standard evaporation processes,’ he says.

SUPPLY DEFICIT
Are better times ahead for lithium miners? The Australian Government forecaster says lithium consumption volumes should ‘catch up’ with production volumes ‘as soon as 2021’, based on an acceleration in EV sales.

In the first half of 2019, EV sales were 50 per cent higher than the same period in 2018, with the growth rate continuing to increase.

Other analysts, including Benchmark Mineral Intelligence and Wood Mackenzie, have also flagged a supply deficit emerging early next decade.

‘Global confidence in the industry has been affected by recent lithium price falls but remains intact, as analysts continue to upgrade their demand projections for essential battery minerals, including lithium,’ Promnitz says.

‘The reality of what is happening with EVs and battery growth is very clear compared to general market perceptions, and investors who switch onto this opportunity will be rewarded.’