

Lake confident on Kachi timescale

LAKE Resources has told investors it remains confident of sticking closely to getting its prefeasibility study completed shortly, and relocating its high-tech lithium brine pilot plant to Argentina around mid-year despite restrictions imposed in the US and Argentina in recent days.



Energy Minerals > Energy- minerals-news

Speaking on a webinar this morning, managing director Steve Promnitz was upbeat, saying Lake's use of direct extraction ion exchange technology to produce low-cost, high-purity lithium products was a different value proposition to much of the market.

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Lake hopes to ship samples of lithium chloride to potential offtakers by April, and while it may need a second round of samples to be produced in California, it hopes to begin producing even larger samples in-situ later in the year.

While Promnitz admitted there could be some delays due to COVID-19, he believed the company's plans over the next 6-9 months to relocate the plant, secure up to US\$25 million in debt financing with an equity kicker, and then eventually install a few commercial-sized plants to refine the definitive feasibility study numbers was still achievable.

The PFS is examining a 25,000tpa operation, which could be scaled up to 40,000tpa over time.

Once it secures offtake partners and full funding, it hopes to move towards production by 2023.

The number of potential offtake and strategic partners has increased since the tech billionaire-backed Breakthrough Energy Ventures pumped funding into Lilac Solutions, Lake's tech partner, he said.

"Essentially our view is that Lake will produce the right product at the right time," he said.

The market is facing unprecedented headwinds, but prior to COVID-19 there was a clear trend of a supply gap emerging for clean lithium carbonate and lithium hydroxide post-2025, with demand for batteries expected to rise from 21% of all lithium produced in 2009 to 86% by 2025.

That supply gap will require production that is low in impurities and low cost - and while Australian hard rock producers dominate the hydroxide and carbonate space, they are largely high cost and slow to respond to market growth.

If Lake's tech works in the field as it does at the pilot stage, and Promnitz said there was no reason to think it won't, it should be able to carve a comfortable and scalable niche.

Lake has been working with Lilac over 18 months, and given it does not need large extraction ponds, is modular and scalable, Promnitz can't see any show-stoppers to achieve the holy grail of sustainable lithium production.

Lake believes it will not only compete on cost and purity, while selling its concentrate for a premium, but it will deliver a preferential product because the Lilac process does not concentrate impurities.

The junior has exclusive rights for the Lilac process in Argentina, and is not too worried about the potential for a glut of low-cost, high-quality lithium flooding the market, as each new technology takes time to embed, and there are more than a dozen direct extraction techniques in the world.

"Lilac needed a company that was small enough, was prepared to pony up on a new technology, and with a large enough resource to scale up," Promnitz said.

"Any new tech needs to move the dial, otherwise it is just one among the great group of lithium produced and not enough space to differentiate."

Kachi may be enough to move the dial, and gives Lake first mover advantage, with scope it could be 2-3 times larger than current resources of 4.4 million tonnes with additional drilling.

Lake shares were off 11% today to A2.4c, capitalising the company at \$15 million, but the stock has upside to 25c over 12 months, according to recent research from Martin Place Securities.



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