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## Aussie lithium dismisses Goldman, Credit Suisse outlook

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If crashing global markets wasn't enough, the Australian lithium sector was left reeling in June from a bearish outlook for demand from two of the world's largest banks.

Goldman Sachs and Credit Suisse released lithium reports in June, both forecasting an oversupply by the middle of the decade as new projects in Australia, South America, Africa and China hit the market.

"We expect lithium prices to continue to correct for the rest of the year and remain under pressure from increasing supply over the next few years," Goldman Sachs said in its report.

Credit Suisse came to a similar conclusion, downgrading their ratings on Allkem Ltd and Pilbara Minerals Ltd from outperform to neutral.

"We previously considered the deficit was intractable, but the world has changed with inflation, war and lockdowns souring the demand outlook, whilst the pace of supply response to spiking prices has been more rapid than anticipated," it said.

The banks received immediate backlash, not only from lithium miners but also specialty consultancy Benchmark Mineral Intelligence, which responded with a report on June 9, entitled: "Lithium oversupply? Not likely".

It seems both banks are making optimistic assumptions about the lithium development pipeline, assuming every current exploration and development project will reach production on schedule. Benchmark, however, cast doubt on this assessment, pointing to Tianqi Lithium's Kwinana hydroxide plant which produced its first product in 2022, four years behind time.

Adding to the normal project development complications is the unique nature of lithium markets where new producers must finetune product to meet customer specifications.

The space is also currently dominated by junior companies. Analysts at Fitch Solutions have identified 128 operations, both active and prospective, controlled by 103 individual companies, of which only 18 have more than two operations and 85 companies have just one.

"The lithium supply sector comprises a very large number of junior and exploration companies," meaning higher project execution risks, according to Fitch.

For Australian lithium companies speak-

ing directly to customers, the banks' assumptions around market balance are wide of the mark.

Global Lithium Resources Ltd managing director Ron Mitchell has become intimately involved with lithium project development and marketing after spending 10 years with Talison Lithium and Tianqi. He told **Paydirt** there was great uncertainty around projects given the industry is still largely in its infancy.

"Defining the feasibility of projects – resource, grade, metallurgy – it all takes time and if you are trying to fast-track that process you will run into complications," he said.



Ron Mitchell

"The average plant takes 18-20 months to build, then there is commissioning. That process depends on how much you've done on the front-end and having the right partners who know what they are doing. It can be 18 months before you have legitimate commercial tonnes into the market and for brines projects that can be seven years or more."

"The Goldman Sachs and Credit Suisse notes are pinning a lot of hope on China and African production. Those tonnes are hard tonnes," Liontown Resources Ltd managing director Tony Ottaviano said at the recent Resource Rising Star conference. "This is a bulk logistics business. Every day, my team and I are meeting customers that are prepared to sign bil-

ions of dollars in take-or-pay contracts. I can see their eyes across the virtual table. They don't wave these reports at me. If I'm an EV executive sitting in a board room in Detroit or Munich or San Francisco and I'm banking my EV strategy on getting reliable supply, they will look to Australia, to ESG and governing law."

Liontown – which is developing the Kathleen Valley lithium project near Leonora, Western Australia – saw its shares fall more than 15% following release of reports, with producers Pilbara Minerals and Allkem following suit.

Mitchell is not immediately concerned with the short-term outlook for prices given

Global is still at the beginning of its lithium journey, but he is adamant the company's Marble Bar and Manna projects will be very highly sought-after once they hit development.

"There is very much a shift coming back to the raw producers and Global has a strong board and management with great expertise and two highly prospective assets in WA," he said. "WA is a fantastic jurisdiction to be mining any commodity but particularly lithium. It already accounts for more than 50% of global production and given it is a jurisdiction which the EV value chain respects and understands, I think that can grow."



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**Liontown's offtake negotiations appear to be uninhibited by Goldman Sachs' recent downbeat forecast for lithium demand**

Global is exploring its projects concurrently with rigs recently arriving at Manna – 100km east of Kalgoorlie – to conduct a 20,000m RC and 4,000m diamond drilling programme.

The project has an existing 9.9mt @ 1.14% lithium resource but Mitchell is confident that can be expanded.

"Manna is underdeveloped and remains open along strike and at depth," Mitchell said. "There are outcropping spodumene-bearing pegmatites which is rare. We have seen spodumene crystals at surface. The key will be to follow the dykes down and drill into targets areas to increase that 10mt resource, which was only done on less than 4km of what is interpreted to be 20km of strike."

At Marble Bar, east of Pilbara's Pilgangoora mine and Mineral Resources Ltd/Albermarle Corp's Wodgina mine, Global has received first assays from its 2022 campaign.

The company is drilling 20,000m at Marble Bar, testing new geochemical trends and mapped pegmatite targets along the greenstone belt around the existing Archer deposit, currently measuring 10.5mt @ 1% lithium oxide.

The first batch of assay results were encouraging with hits 11m @ 1.42% lithium, 12m @ 0.88% lithium and 9m @ 1.09% lithium returned.

Mitchell said Marble Bar had both geological and logistical advantages.

"The infrastructure piece at Marble Bar is really compelling and the geology needs no introduction," he said. "We are near both Pilgangoora and Wodgina and think

there is a lot of similarities geologically and we have a sealed road running through the tenements."

The presence of Pilgangoora and Wodgina nearby offers more than just an opportunity to compare characteristics. For

being processed into chemicals from WA spodumene is fantastic. And, here in WA, we have the highest level of commercial and technical expertise as it relates to lithium development.

"We have the suppliers, the engineers and the commercial guys with deep knowledge and the collective sharing of that knowledge is important. That's what makes WA a low-risk jurisdiction in lithium."

Mitchell's comments are based on far more than parochialism. He was recently appointed chairman of the LME's lithium committee, which is comprised of miners, battery makers, car manufacturers and bankers.

"There are two main parts to the committee; lithium value chain advocacy where participants – which includes the likes of Pilbara, Albemarle, Chengdu, Ford, Tesla and even Goldman Sachs – can unpick and discuss the challenges facing industry," he said.

"The second function is to promote the LME's lithium hydroxide futures contract as a price risk mitigation tool. Having a futures contract gives more transparency to allow greater investment and build liquidity in the product."

If interest in the LME contract takes hold, it will only assist the likes of Global and Li-



**With more than 50% of the world's supply – including from Pilbara Minerals' Pilgangoora operations – WA is the pre-eminent lithium jurisdiction**

Mitchell, their success is indicative of the standing of WA in the global lithium community.

"It can't be overstated how fundamental to the success of the industry WA is, not just from a geological perspective but from a jurisdictional, technical and marketing perspective," he said. "The spodumene story is a good one because speed to market is important and the quality of material

ontown in their marketing discussions with a growing list of interested parties.

"The fundamentals are incredibly strong," Mitchell said. "The forward meetings I have locked in show there is a lot of interest, not just from China, but the Europeans, the North Americans, the Japanese and the Koreans."

– Dominic Piper