

Pilbara bounce back to continue



While mining and processing are still being managed to match customer demand, Pilgangoora has seen increased rates of both over successive quarters

If fortune deserted one fledgling West Australian lithium miner in 2020, it certainly played a role in ensuring a second wouldn't go under.

The WA lithium sector was looking forlorn at the midpoint of 2020 with the largest mine in the State, Greenbushes, on go-slow and the emerging Pilbara producers - Pilbara Minerals Ltd and Altura Mining Ltd - struggling to stay afloat amid a softening market for the battery ingredient.

Altura's dam walls burst first with the company entering receivership in October. Pilbara eventually gobbled up its neighbour and, having restructured its debt and raised \$240 million in equity in December, is now riding the crest of a lithium wave with its share price rising from 14c in March 2020 to above \$1 in January. According to Pilbara managing director Ken Brinsden, while the Altura acquisition, capital raising and stronger lithium market all contributed to the company's resurgence, it had been operating improvements on its Pilgangoora mine which were most crucial.

"By far the most important initiative in adding value has been the operational performance because without that all the other elements wouldn't have been possible," Brinsden told **Paydirt**.

The December quarterly report bore out his claims. Pilbara achieved a 62% increase in sales from the September quarter to 70,609 dmt of spodumene concentrate with production up to 63,712 dmt from 62,404 dmt in the previous quarter. The increase reflected the greater demand from customers following Pilbara's decision to move to campaign mining early in 2020. While increased mining and processing rates are welcome, it has been

improvements within the processing plant which have most pleased Brinsden.

"I'm proud of where the team got to on ops performance," he said. "Hard as it is in campaign mode, we used the time effectively, demonstrated a great deal of intellectual horsepower to deliver really good results, specifically recovery. We are now industry leading on recovery because the team has worked incredibly hard with a really sophisticated process to deliver the results."

Having stubbornly refused to meet design rates of 72-78% in the first years of operation (the average was closer to 60%), the Pilgangoora plant consistently achieved 63-73% recoveries in the December quarter with more improvements expected in the March quarter following a \$20 million plant improvement project.

"For spodumene recovery there are many moving parts, literally hundreds of discrete criteria that ultimately affect performance," Brinsden explained. "And, as much as it was a painful journey there was a level of discipline which allowed the team to work through all those moving parts and come up with a winning formula. It's not as though you can tap people on the shoulder and ask them to come in, unlike a gold plant, that experience doesn't really exist in the lithium world on mass."

Brinsden said it was a "symphony" of technical, operational and systems improvements had put Pilgangoora on track. Only once that was achieved could the company execute the other elements of its turnaround.

"Ops performance underwrites the validity of the operation which helps with the financing, that's never going to happen if you have an average mine. You can't have made that

acquisition [of Altura] without financiers who are prepared to back you and the reason they are prepared to back you is because the sophisticated team has delivered really good results."

Not only has it provided financiers with comfort, the operational advances at Pilgangoora have infused confidence into Pilbara's ability to handle the challenge at the Altura asset.

"It is quite a powerful tool to deploy now in light of having acquired the Altura plant," Brinsden said. "We are confident in our ability to rerate the performance of that facility compared to the historical norm."

The company moved quickly when the Altura opportunity presented itself, Brinsden telling **Paydirt** the absorption of its neighbour's asset into the Pilbara stable had many benefits.

"We had been ready to act on Altura for quite some time because we knew it was running out of rope," he said. "There's always been some conversations going on, we just couldn't work it out in the time period."

Amalgamating two operations exploiting the same orebody would appear a sensible outcome.

"You don't want to see people suffer and obviously creditors and shareholders suffered but the aggregation of these assets makes for a more significant, scalable, flexible lithium raw material supply business," Brinsden said. "In the long term it is the right answer."

"The list runs on for synergies - power, water, management, contract management, haulage, port, the benefits of ignoring tenement boundaries as well as significant exploration potential across the two projects. There

are not many times where you get to buy your neighbour and realise so many synergies.”

As well as synergies, the Altura acquisition presents optionality for Pilbara, a potentially decisive ingredient in the company's growth strategy. Brinsden said Altura added a third dimension to the evolution of Pilgangoora's production place.

“The immediate focus is on our existing plant,” he said. “We recently committed to \$20 million related to plant improvement projects. The logic is to spend that to free up 50,000t spodumene. It is committed and we will bring that project on early in the second half of this year.”

“Altura is No.2. Our perspective is that we have a baseload of engineering and assessment that has to go on because we want to know that when we switch it back on, we get reasonable performance out of the plant, that is better than the historical norm. The earliest we expect to complete that is the middle of this year.”

The third lever for production growth will be lithium pricing.

Pilbara, Altura and other spodumene concentrate producers ran into trouble when concentrate supply did not filter to greater production downstream. Altura's closure took product out of the market, tightening concentrate supply. Pilbara is wary of recreating the oversupply issues of early 2020.

“This time last year, everybody was struggling to make money; we don't want to end up in circumstances where that happens again,” Brinsden said. “We should be careful about how we bring back production and ensure the incentive conditions are good enough to facilitate the restart [of Altura].”

“I think it will be another couple of months before we paint a clear picture of what we are going to do with it but if I was reading the tea leaves, I would say second half of 2021.”

The incorporation of the Altura operations will also allow Pilbara to craft mining, processing and production outcomes to suit its needs.

“It is true on both sides of the plant,” Brinsden said. “It is true from an ore feed and grade point-of-view. There is benefit from being able to target certain ore types for each of the plants and that helps balance the blend which is ultimately going to come out of each facility.”

“At the back end, the ability to blend concentrates to achieve objectives that we are after as it relates to the objectives of the customer base is also important.”

It was following the acquisition that fortune began to play its part in Pilbara's market recovery with investors dropping their scepticism around lithium and the impending EV revolution.

“It is an interesting confluence which has arisen roughly coincident with the Altura acquisition,” Brinsden said. “The market has got

warmer to the point that it's running hot. The shutdown of Altura had the effect of rebalancing the market at the same time as there was an uptick in demand.”

Pricing agencies FastMarkets, Platts and Asian Metals all reported increased prices for lithium chemicals in December, with Platts recording lithium carbonate prices up 60% from their August 2020 lows.

Brinsden said Pilbara was already seeing those increases begin to filter through to the spodumene concentrate market.

“It takes roughly about a quarter for that price change to report through to our pricing. Even in the December quarter we were getting better prices and we ex-

Brinsden said the Pilbara team's “intellectual horsepower” had allowed the company to overcome operational challenges



pect that to accelerate in the March quarter.”

Lithium concentrate prices have been on a wild ride in recent years as demand failed to match the burst of enthusiasm and forecasts witnessed in 2016-17. Brinsden, however, has kept an even-keel and retains his optimism about the future of the sector.

“I always remained confident because we are close to the downstream industry and the reality was they weren't slowing down,” he said. “There was continual investment in Chinese conversion and cell-making capacity so the expectation was for an increase in demand and the big picture view that inevitably the rise of electrification of transport was an imperative globally.”

Like other battery materials, lithium enjoyed an unexpected surge in 2020 as governments across the globe placed green solutions at the heart of their post-COVID recovery policies.

“Investors are getting a taste for lithium-ion batteries because they can see the appetite for the rise of electrified transport and the rise of EVs and the pandemic has actually accelerated that change and been pretty powerful,” Brinsden said. “Countries have started to grasp stimulus with one eye on the future and this has led to a roll-out of renewables and EVs. Momentum is building and EV sales are accelerating in Europe as well as China. That is starting to put pressure on supply chains, especially raw materials supply, hence the price outcomes we are seeing.”

The EU, UK and US in particular are beginning to realise the heavy reliance the EV sector has on Chinese-produced products and Brinsden expects the trend to have a positive impact on his company, although it is currently locked into offtake agreements with Chinese EV producer CATL.

“The West, rather than just talking about it, is taking security of supply chains seriously and that translates to interest in Pilbara Minerals because there is not much in the way of new mines and development projects,” he said. “There is real money going into the supply chains in Europe and the UK and the US is now deploying money in the ground. OEMs are getting more organised and governments feel they should intervene.”

– Dominic Piper



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