Pilbara Minerals stands out in lithium space

Its impressive resource, expected low-cost production, building off-take position and downstream processing options set Pilbara Minerals (ASX: PLS) apart from other lithium-focused juniors. Ngaire McDiarmid reports

I mpoving the MaIden Ore reserve at Pilbara Minerals’ 100%-owned flagship Pilgangoora lithium-tantalum project is almost a moot point. The cashed-up company is poised to capitalise further on the strength in the lithium market as it powers towards development at its globally significant resource.

The Pilgangoora Definitive Feasibility Study (DFS) is due in late Aug-ust, its first binding off-take agreement was signed in July, construction is slated for later this year and mining is expected to begin mid-2017. Pilgangoora’s maiden ore reserve of 29.5 million tonnes (Mt) at 1.31% lithium oxide, 134ppm tantalum pentoxide and 1.18% iron oxide could, according to the March pre-feasibility study, support a 2Mt per annum mining and processing operation for up to 15 years with an internal rate of return of 44%.

However, the project just keeps growing thanks to a successful drilling programme, which resulted in a 134% increase to Pilgangoora’s resource in July; further cementing the company’s view that Pilgangoora is the world’s largest published hard rock lithium resource.

The Managing director and CEO Ken Brinsden said the resource was likely substantially larger than the total 128.6Mt, and the sheer size of the pegmatite system means drilling to create further resources “starts to become academic”.

Accordingly, while Pilbara embarks on its rapid path to production, it has also broadened its focus to tee up off-take agreements, evaluate conventional and new downstream processing options and strategically position the company for long-term growth.

The company is well-funded to progress to production thanks to a $100 million capital raising in the second quarter, with both the $58M share placement and $51M share purchase plan heavily oversubscribed.

Brinsden said the Pilgangoora project metrics and its location, just 120km from Port Hedland in one of Western Australia’s premier mining districts, set it apart.

He said the company had worked hard to establish the lithium resource “when it wasn’t sexy to do so” and its location, size, grade and quality were key drivers to maintaining a low cost base.

The former Atlas Iron managing director is keenly aware of mining’s cyclical nature, having been part of the phenomenal growth in iron ore then witnessing the industry under pressure as prices slumped.

“The constant that comes out of that is to be an enduring miner you have to ensure you’ve got the right cost base,” he said.

“It’s an amazing discovery, it’s in the right location and we’ll be mining a high-grade product, especially once you include the tantalite by-product and with all that in mind, we will be one of the world’s lowest-cost hard-rock lithium mines globally, and that’s a key point of difference.

“For those reasons, we’d say it’s the world’s leading lithium development project and will be a big part of the supply solution to fit what we see as really significant demand growth for lithium.”

Brinsden foresees the growth in electric vehicles, pushing up the demand for lithium-ion batteries, akin to the exponential rise in smart phones since their release just over 10 years ago.

“Electric vehicles and bikes currently represent about 3% of the global lithium market but I think by 2025 they’ll be such a big part of our lives they’ll be taken for granted,” he said.

Meanwhile, Pilbara intends to systematically convert a series of off-take discussions into binding agreements and is also investigating both conventional and new downstream processing options.

Pilbara has signed eight Memo- randa of Understanding with leading chemical and technical grade customers for 100% of forecast production, and in early July inked its first binding off-take and downstream processing agreement with Chinese company General Lithium.

Pilbara is building on this relation- ship and has since travelled to Malaysia to progress discussions on their proposed joint lithium chemicals plant.

The desktop scouting study on the plant is expected by the end of August and Brinsden said if it was positive, the joint venture would immediately proceed to a DFS on the plant, applying General Lithium’s expertise to produce lithium carbonate and hydroxide products.

“The General Lithium offtake agreement represents a fantastic tool for the company to continue to grow,” he said.

“General Lithium provides the technology and knowhow for the lithium chemical plant, facilitating Pilbara’s participation in down- stream markets much faster and with less risk than would typically be the case if we were developing our own facilities.

“Ultimately, that’s where the real growth lies for Pilbara – moving to a longer-term strategy whereby we become a participant in downstream markets rather than an intermediate product supplier.”

Ken Brinsden, Managing Director and CEO.

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Quoted Shares on Issue
1,149.4 million

Market Cap
ASX: PLS

6 months ending August 5, 2016

$AU $AUD

6 months ending August 5, 2016

Over 45,000km of drilling has been undertaken since March 2016

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– Ken Brinsden

Managing Director and CEO