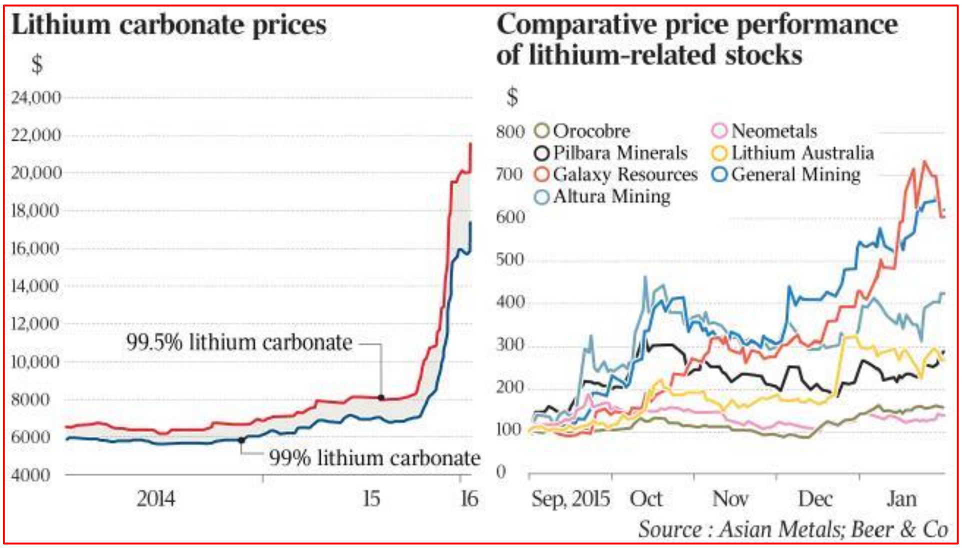
Media Coverage

THE AUSTRALIAN

Source: http://www.theaustralian.com.au/business/mining-energy/electric-cars-battery-revolution-power-scramble-for-lithium/news-story/f939ca6ee9e314d25b4950a3e9cc28ce

PAUL GARVEY THE AUSTRALIAN FEBRUARY 10, 2016 12:00AM

Electric cars, battery revolution power scramble for lithium



The growing excitement around electric vehicles and home power storage is spilling over into the junior resources sector, with numerous players joining the hunt for lithium — the key ingredient in the new-generation batteries that are changing the way the world looks at energy.

While momentum has been building in the lithium space for some time amid the hype around Tesla, electric vehicles and other emerging lithium-ion battery applications, the value of the commodity has only recently started to surge.

Lithium carbonate prices have more than doubled in the past few months, climbing from $US7700 a tonne to more than $US16,000 a tonne. The surge comes despite the continued weakness in oil prices, which led some to question whether suddenly cheaper fuel could slow the rollout of electric vehicles.

Trevor Pike, who as executive director of equity sales at Canaccord Genuity has long been keeping a close eye on the lithium space, attributes the momentum to the Paris climate conference and resultant pledge by world governments to tackle emissions.

Mr Pike, who has been closely involved with Orocobre, Australia's biggest lithium play, for several years, believes investors still haven't woken up to the battery-led revolution taking place in the way the world stores and uses energy

"The market is underestimating that this will be an evolutionary change in energy, and they're underestimating the demand you're going to see from electric vehicles, from electric buses, from battery storage," he told *The Australian*.

"This is like moving into mobile phones 20 years ago."

While Mr Pike is a firm believer in the macro trend behind lithium, he also warns that investors need to be wary about the likely supply-side response to the rise in demand.

Lithium occurs in two key forms: in brine and in a hard rock called spodumene. Brine deposits, such as that being mined by Orocobre at its Olaroz project in Argentina, generally have long lives and low operating costs but take years and huge amounts of money to develop. Spodumene deposits can be brought into production relatively quickly and cheaply, but generally have higher production costs than brine operations.

Mr Pike believes the long lead times for those brine projects means there is a two-year window for spodumene players to get to market and join Orocobre in profiting from the lithium supply squeeze.

Locally listed players General Mining and Galaxy Resources are tracking for first production from their Mt Cattlin spodumene joint venture by the end of next month, while Neometals's Mt Marion joint venture with Mineral Resources and Chinese lithium group Ganfeng is expected to start by the middle of the year.

"That's why we're backing Orocobre, we're backing General Mining, we're backing Galaxy, and that's why Neometals will be fine," Mr Pike says.

"All the guys who are coming on in the next two years are coming on in a window where they will be the only new sources of supply. After that, if everyone gets moving, there will be a lot of supply from 2018 onwards."

That note of caution is awkward news not only for the numerous junior explorers who have sniffed the opportunity and moved into lithium exploration in recent months, but also for the likes of Pilbara Minerals, which enjoyed a strong uptick last year on the back of the lithium momentum.

Pilbara has defined what it says is one of the world's biggest new spodumene deposits at its Pilgangoora project east of Port Hedland in Western Australia. The resource base defined to date is twice the size of Mt Marion and Mt Cattlin combined, helping drive its surge from 3.5c to 35c a share over the past year.

But it is further away from production than its smaller rivals. A definitive feasibility study is due by the middle of this year, and analysts aren't forecasting for Pilgangoora to hit its straps until 2018.

Pilbara executive director Neil Biddle is unperturbed by the talk of a lithium supply surge by the time Pilgangoora gets into production. Instead, he says, the scale of the project will allow it to weather any fluctuation in markets.

"The whole point for us is to be the lowest-cost producer we can be. That scale will do that. We will be right at the bottom end of operating costs and ahead of any other up and coming lithium producers," he told *The Australian*.

"At some point the market will go into oversupply — we don't know when that will be, but we've seen it happen in the iron ore industry — and only the lowest-cost producers survive." Over at Neometals, the company has taken a series of steps to de-risk its exposure. Its partners in Mt Marion are covering its share of the mine's construction costs, while it has also picked up a cash pile of about $70m through decisions by Ganfeng to the exercise options over portions of Neometals's stake in the project.

Neometals now owns a 26.9 per cent stake in Mt Marion and could fall further if remaining options are also exercised.

BLOOMBERG NEWS

Source: http://www.bloomberg.com/news/articles/2016-02-17/battery-boom-heats-lithium-gains-as-outback-mining-stocks-soar

DAVID STRINGER & MARTIN RITCHIE FEBRUARY 18, 2016

Battery Boom Heats Lithium Gains as Outback Mining Stocks Soar