



# Lithium-Ion Bull

ISSUE 89. OCTOBER 23, '23

## Angry Lithium. The Rolling Stonks

Mick, Keith and Ronnie inspire me today as they have in previous periods of intense bearish sentiment -- from *Let it Bleed/Gimme Shelter* in February 2018's **Lithium Bull** to July 2019's *You Can't Always Get What You Want/Emotional Rescue* **Lithium-ion Rocks** podcast with Fastmarkets' Will Adams.

Will joins again our latest **Rock Stock Channel** video following LME Week, excerpted below alongside a link to the full video which is well worth a listen. As is *Hackney Diamonds* – the Stones first studio album in 18 years which, apropos to RK Equity's September/Q3 lithium scoreboard, starts *Angry*, and ends with *Rolling Stone Blues*.



Elon Musk for the first time in a year mentioned lithium a total of \*zero\* times in last week's Tesla conference call, but otherwise painted a black picture: "I apologize if I'm perhaps more paranoid than I should be...I have PTSD from 2009, big time. And in 2017 through 2019 were not a picnic either...the auto industry is somewhat cyclic...people hesitate to buy a new car if there's uncertainty in the economy...car companies do very well in good economic times, and they don't do as well in tough economic times...people are reading about wars all over the world. Buying a new car tends to not be front of mind..."

How long will it be for believers in *Lithium Nirvana* to be singing along with Mick and Lady Gaga the *Sweet Sounds of Heaven*? Hard to predict. But, taking a page from **Mineral Resources' Chris Ellison**, another Western Australian entrepreneur is making a billion-dollar bet that 'if you own your own spodumene rock, you're goddess': Welcome **Hancock Prospecting's Gina Rinehart** to the lithium world – a somewhat surprising, but highly credible and well capitalized new entrant that will further disrupt what had been for a brief period a disciplined, cozy spodumene duopoly.

'Call the Doctor, I think I'm Gonna Crash' I posted on X upon **Liontown** entering a trading halt last week as *brutally handsome Albemarle* walked from *terminally pretty* Kathleen Valley: Western Australia's *Li Fe in the Fast Lane*. LTR's AUD 376M equity placement at AUD1.80 represented a harsh 35% discount to ALB's \$3 bid, but still a meaningful 20% premium to the \$1.50 it was trading before ALB's bid was disclosed last March -- a not insignificant feat considering China spot lithium prices have fallen since then more than 50% from \$50 to \$23/kg and LTR announced last month its fifth capex increase in four years to AUD 951M.

A summary of the evolution of Liontown/Kathleen Valley capex :

December 2019	AUD 241M	
October 2020	AUD 325M	
November 2021	AUD 473M	
June 2022	AUD 545M	Final Investment Decision, construction began
January 2023	AUD 895M	
September 2023	AUD 951M	

The lithium market has matured since last cycle to allow for more traditional debt finance. Liontown has replaced its innovative AUD 300M loan with Ford with what I believe is the largest ever project finance package totaling A\$760M across three facilities:

- \$200M - 10 years (export credit agencies)
- \$450M - 7 years (commercial lenders)
- \$110M - 3 years (cost overrun facility)

Advanced development peers now have a good comparable to evaluate and seek to replicate. Only thing missing is detail on the interest rate margin...

Liontown is building the spodumene world's first underground mine, with mineralogy requiring a whole of ore float. The company no doubt wants to avoid next year similar pain **Core Lithium** endured after its start-up demonstrated worse-than-expected recoveries and was forced into a deeply discounted equity raise this summer. Liontown's total AUD 1.16B raise included a sizable A\$352m *liquidity buffer to be prudent for a company of its size and to reflect an appropriate capital structure to build the company*.

Sources of Funds	A\$m
(+) Gross proceeds from the equity raising	376 <sup>1</sup>
(+) Cash (as at 30 September 2023, unaudited)	285
(+) Undrawn Ford facility (as at 30 September 2023, unaudited)	53
(+) New debt financing package	760 <sup>2</sup>
<b>Total Sources of Funds</b>	<b>1,474</b>
Uses of Funds	A\$m
(+) Remaining construction capex at Kathleen Valley	548
(+) Contingency	25
(+) Corporate cost and working capital	152
(+) Underground acceleration costs and ROM stocks	63
<b>Total Uses of Funds at Kathleen Valley</b>	<b>788</b>
(+) Refinance of Ford Facility	308
(+) Transaction costs <sup>4</sup>	26
(+) Additional balance sheet liquidity and available cost overrun facility	352
<b>Total Uses of Funds</b>	<b>1,474</b>

	ECA Facility	Commercial Lender Facility	Cost Overrun / Working Capital
<b>Borrower</b>	LRL (Aust) Pty Ltd, a wholly-owned subsidiary of Liontown Resources Limited		
<b>Lenders</b>	EFA	Commercial Lenders and CEFC	Commercial Lenders
<b>Commitment<sup>1</sup></b>	A\$200m	A\$450m	A\$110m
<b>Total Commitment (including allowance for capitalised interest)</b>	A\$220m <sup>2</sup>	A\$500m	A\$110m <sup>4</sup>
<b>Use of Proceeds</b>	Refinance the Ford Facility, finance Kathleen Valley Project Costs and to finance interest and fees and to fund the general working capital requirements of the Borrower		
<b>Maturity</b>	10 years	7 years	3 years
<b>Security</b>	Senior secured		
<b>Repayment</b>	Quarterly, straight-line	Quarterly, straight-line amortisation with bullet on maturity and customary "cash sweep" mechanism	Drawn funds at project completion to be repaid via cash sweep, thereafter revolving facility

"It feels like the next 9 months is the window that battery makers and OEMs have been waiting for to lock up future lithium supply at reasonable prices" **Benchmark Minerals Intelligence Simon Moores** posted on X last week. I agree. And believe M&A will remain supportive for the most advanced development companies which have retained blue chip investment banks to help structure deals for full funding to help address the long-term structural deficit and dozens of new mines Benchmark forecasts is needed through 2035:



Off-take agreements, joint ventures and outright purchases will continue to keep the market speculating – hopefully at better valuations than in Chile where government policies left **Lithium Power International** essentially with one state-owned choice, **Codelco**, who's USD 245M bid was far lower than the \$400-900M+ received by sellers of similar projects in Argentina over the past 24 months.

The processes underway at **Atlantic Lithium** and **Piedmont Lithium's Tennessee Lithium** project got a substantial boost last week as Ghana granted the Ewoyaa project the country's first ever mining license.

I'm watching closely as well the full funding package that **Critical Elements** - permitted and primed for partnership – is seeking putting together.

### Lithium Earnings Season....

Over the course of the next two weeks a large amount of operational updates, earnings guidance and lithium market commentary will be put into the lithium market as major producers **Pilbara**, **Mineral Resources**, **Allkem**, **Albemarle**, **Livent** and others report their quarterly results.

As a reminder, RK Equity provides **Rodney Hooper's proprietary analysis** of these results as and when they come out to our Patreon subscribers at the \$100 and \$300/month tiers.

- Howard Klein  

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NOT INVESTMENT ADVICE, DO YOUR OWN RESEARCH									
<div><div>RK Equity</div><div></div><div>LITHIUM SCOREBOARD</div><div>September 30, 2023</div></div>	Ticker	Exchange	Share Price (09/30/23)	Market Cap (USDMM)	1 mo	3 mo	YTD	Location	Type
	Chemical Producers								
	Albemarle	ALB	NYSE	\$ 170.04	\$ 19 953	-14%	-24%	-21%	Chile, Nevada, Australia
SQM	SQM	NYSE	\$ 59.67	\$ 17 044	-4%	-18%	-22%	Chile, Australia	Brine, Rock
Ganfeng	1772.HK	HKSE	\$ 32.15	\$ 11 679	-20%	-35%	-45%	China, Australia, Argentina, Mex	Rock, Brine
Tianqi Lithium	002466.SZ	Shenzhen	\$ 54.93	\$ 11 217	-4%	-24%	-32%	China, Australia	Rock
Allkem	AKE.AX	ASX	¥ 11.76	\$ 5 021	-16%	-26%	7%	Argentina, Japan, Australia, Quebec	Brine, Rock
Livent	LTHM	NYSE	\$ 18.41	\$ 3 308	-16%	-33%	-3%	US, Argentina, China, Quebec	Brine, Rock
Lithium Americas	LAC	NYSE	\$ 17.01	\$ 2 737	-7%	-16%	-5%	Argentina, Nevada	Brine, Clay
Argosy Minerals Limited	AGY.AX	ASX	\$ 0.19	\$ 182	-19%	-51%	-65%	Argentina	Brine
Spodumene Producers									
Mineral Resources	MIN.AX	ASX	\$ 67.63	\$ 8 814	-3%	-5%	-10%	Australia	Rock
Pilbara Minerals	PLS.AX	ASX	\$ 4.30	\$ 8 637	-9%	-11%	19%	Australia	Rock
Sigma Lithium	SGMLV	TSX-V	\$ 44.07	\$ 3 667	5%	-14%	27%	Brazil	Rock
AMG Critical Minerals	AMG.AS	Netherlands	\$ 28.50	\$ 1 096	-11%	-39%	-19%	Brazil	Rock
Piedmont Lithium	PLL	NASDAQ	€ 39.70	\$ 762	-11%	-31%	-7%	Carolina, Quebec, Ghana	Rock
Sayona Mining	SYA.AX	ASX	\$ 0.09	\$ 639	-19%	-47%	-51%	Quebec	Rock
Core Lithium	CXO.AX	ASX	\$ 0.41	\$ 578	-1%	-55%	-60%	Australia	Rock
Emerging Projects									
Liontown Resources	LTR.AX	ASX	\$ 2.94	\$ 4 383	7%	4%	140%	Australia	Rock
Patriot Battery Metals	PMET.V	CSE	\$ 11.00	\$ 929	-4%	-28%	93%	Quebec	Rock
Azure Minerals	AZS.AX	ASX	\$ 2.70	\$ 798	7%	64%	1127%	Western Australia	Rock
Standard Lithium	SLIV	TSX-V	\$ 3.85	\$ 506	-17%	-36%	-1%	Arkansas	DLE Brine
Lithium Royalty Corp	LIRC.TO	TSX	\$ 11.36	\$ 479	-7%	-14%	-30%	Global	Other
American Battery Technology	ABAT	NASDAQ	\$ 8.62	\$ 446	4%	-25%	32%	Nevada	Rock
Latin Resources Ltd	LRS.AX	ASX	\$ 0.25	\$ 430	-26%	-26%	153%	Argentina, Brazil	Rock
Leo Lithium	LLL.AX	ASX	\$ 0.50	\$ 404	-56%	-50%	3%	Mali	Rock
Atlas Lithium	ATLX	NASDAQ	\$ 30.64	\$ 326	28%	43%	340%	Brazil	Rock
Vulcan Energy Resources	VUL.AX	ASX	\$ 2.89	\$ 324	-13%	-30%	-54%	Germany	DLE Brine
American Lithium	LIV	TSX-V	\$ 1.96	\$ 320	-8%	-25%	-30%	Nevada	Clay
Ioneer	INR.AX	ASX	\$ 0.22	\$ 315	-4%	-32%	-39%	Nevada	Rock
Critical Elements Corporation	CRE.V	TSX-V	\$ 1.78	\$ 294	16%	5%	-16%	Quebec	Rock
Delta Lithium (ex Red Dirt Metals)	DLI.AX	ASX	\$ 0.75	\$ 266	-3%	-15%	67%	Australia	Rock
Global Lithium Resources	GLI.AX	ASX	\$ 1.37	\$ 237	-7%	-9%	-22%	Australia	Rock
Li-FT Power	LIFT.CN	CSE	\$ 7.15	\$ 213	-16%	-13%	-31%	North Western Territories	Rock
Lithium Ionic Corp.	LTH.V	TSX-V	\$ 2.00	\$ 210	-13%	-12%	32%	Brazil	Rock
Alpha Lithium	ALLINE	TSX-V	\$ 1.41	\$ 202	12%	2%	28%	Argentina	Brine
Frontier Lithium	FLV	TSX-V	£ 1.14	\$ 197	-9%	-38%	-44%	Ontario	Rock
Wildcat Resources	WC8.AX	ASX	\$ 0.44	\$ 197	13%	324%	1754%	Western Australia	Rock
Atlantic Lithium	ALL	AIM	\$ 25.20	\$ 196	22%	1%	-34%	Ghana	Rock
E3 Lithium	ETLV	TSX-V	\$ 3.13	\$ 177	-13%	46%	66%	Alberta	DLE Brine
Lake Resources	LKE.AX	ASX	\$ 0.18	\$ 171	-12%	-41%	-76%	Argentina	DLE Brine
International Battery Metals	IBAT.CN	CSE	\$ 1.10	\$ 169	-4%	-8%	-53%	Global	Tech
Winsome Resources	WR1.AX	ASX	\$ 1.48	\$ 168	4%	-10%	5%	Quebec	Rock
Premier African Minerals	PREML	AIM	\$ 0.50	\$ 163	10%	40%	3%	Zimbabwe	Rock
Galan Lithium	GLN.AX	ASX	\$ 0.65	\$ 152	-7%	-25%	-36%	Argentina	Brine
Lithium Power International	LPLA	ASX	\$ 0.36	\$ 151	57%	20%	-12%	Chile	Brine
Andrada Mining (ex AfriTin)	ATM.L	AIM	\$ 6.80	\$ 133	1%	-14%	26%	Namibia	Rock
Kodal Minerals	KOD.L	AIM	\$ 0.55	\$ 123	24%	2%	110%	Mali	Rock
Brunswick Exploration Inc.	BRW.V	TSX-V	\$ 0.86	\$ 122	-11%	13%	79%	Canada	Rock
Anson Resources	ASN.AX	ASX	\$ 0.14	\$ 118	0%	-10%	-22%	Utah	Brine
Lithium Chile Inc.	LITH.V	TSX-V	\$ 0.72	\$ 112	-6%	-4%	33%	Chile	Brine
Rock Tech Lithium	RCK.V	TSX-V	\$ 1.46	\$ 107	-22%	-28%	-32%	Ontario	Rock
Arbor Metals	ABR.V	TSX-V	\$ 2.20	\$ 100	-29%	-29%	-16%	Nevada	Rock
European Metals Holdings	EMH.AX	ASX	£ 0.69	\$ 95	-10%	-19%	12%	Czech	Rock
Savannah Resources	SAVL	AIM	\$ 3.45	\$ 90	-10%	-25%	50%	Portugal	Rock
Essential Metals	ESS.AX	ASX	\$ 0.49	\$ 87	18%	18%	52%	Australia	Rock
Green Technology Metals	GT1.AX	ASX	\$ 0.42	\$ 77	-17%	-40%	-48%	Ontario	Rock
CleanTech Lithium	CTL	AIM	\$ 48.50	\$ 71	-10%	18%	24%	Chile	Brine
Minerals 260	MI6.AX	ASX	\$ 0.46	\$ 71	0%	-29%	33%	Australia	Rock
European Lithium	EUR.AX	ASX	\$ 0.08	\$ 70	6%	-24%	3%	Austria	Rock
Century Lithium	LCE.V	TSX-V	£ 0.61	\$ 68	-14%	-35%	-31%	Nevada	Clay
Jindalee Resources	JRL.AX	ASX	\$ 1.75	\$ 67	0%	-1%	-6%	Oregon	Clay
Wealth Minerals	WMLV	TSX-V	\$ 0.27	\$ 65	-16%	-29%	-41%	Chile	Brine
Lepidico	LPD.AX	ASX	\$ 0.01	\$ 53	-5%	5%	-30%	Namibia	Tech
Zinnwald Lithium	ZNWD.L	AIM	\$ 8.80	\$ 52	2%	-15%	28%	Germany	Rock
Raiden Resources	RDN.AX	ASX	\$ 0.03	\$ 47	29%	244%	520%	Western Australia	Rock
Critical Resources	CRR.AX	ASX	\$ 0.04	\$ 45	-3%	0%	-5%	Canada	Rock
Argentina Lithium & Energy Corp	PNXLF	OTC	\$ 0.34	\$ 44	119%	107%	68%	Argentina	Brine
Tantalex Lithium Resources	TTX.CN	CSE	\$ 0.10	\$ 42	11%	-13%	5%	Africa	Rock
Lithium Energy Ltd	LEL.AX	ASX	\$ 0.60	\$ 41	6%	-26%	-19%	Argentina	Brine
Future Battery Minerals	FBM.AX	ASX	£ 0.12	\$ 39	5%	0%	121%	Western Australia	Rock
Power Metals Corp.	PWM.V	TSX-V	\$ 0.34	\$ 37	-11%	-26%	10%	Ontario	Rock
Lithium Plus Minerals	LPM.AX	ASX	\$ 0.47	\$ 35	100%	74%	38%	Australia	Rock
Evergreen Lithium	EG1.AX	ASX	\$ 0.28	\$ 33	14%	-16%	-7%	Australia	Rock
LithiumBank	LBK.V	TSX-V	\$ 1.04	\$ 33	-2%	-19%	14%	Alberta	DLE Brine
Arizona Lithium	AZL.AX	ASX	\$ 0.01	\$ 32	-6%	-53%	-76%	Arizona	Clay
Cygnus Metals	CY5.AX	ASX	\$ 0.16	\$ 30	-16%	-30%	-58%	Western Australia, Canad	Rock
Lithium South Development Corp	LIS.V	TSX-V	\$ 0.42	\$ 30	-6%	-14%	-16%	Argentina	Brine
Lithium Energi Exploration	LXNF	OTC	\$ 0.20	\$ 29	233%	33%	135%	Argentina	Rock
Noram Lithium Corp	NRM.V	TSX-V	\$ 0.44	\$ 29	13%	-27%	-37%	Nevada	Clay
United Lithium Corp.	ULTH.CN	CSE	\$ 0.32	\$ 29	56%	52%	78%	Sweden, Finland, Canada	Rock
Lithium Australia	LIT.AX	ASX	\$ 0.03	\$ 27	-6%	21%	-26%	Australia	Tech
Snow Lake Lithium	LITM	NASDAQ	\$ 1.32	\$ 26	-32%	-42%	-42%	Canada	Rock
Volt Lithium	VLTV	TSX-V	\$ 0.25	\$ 25	-16%	-4%	132%	Canada	Rock



**Table of contents**

Video title	Page (click the number to jump)
E77: <b>Champion Electric Metals</b> Jonathan Buick	<u><a href="#">8</a></u>
E78: <b>Pilbara Minerals'</b> Dale Henderson	<u><a href="#">10</a></u>
E79: LME Week Lithium Special. <b>Fastmarkets'</b> Will Adams	<u><a href="#">13</a></u>
Rock Stock Recap   E4	<u><a href="#">15</a></u>

## E77 Champion Electric Metals Jonathan Buick

Jonathan Buick, CEO of Champion Electric Metals, discusses the company's multi-faceted resource approach, strategic partnerships, and their path to market recognition through an ASX listing.



### Impressive Land Package in James Bay

Champion Electric Metals has strategically acquired a massive land package of 530 square kilometers in the James Bay region. This land position surpasses the combined size of other notable projects in the area, such as Winsome and Patriot. They are currently conducting sampling and mapping activities to validate targets for exploration and discovery.

### Strong Leadership and Board

Jonathan and his team have a successful track record in the lithium industry. They've been involved in projects that have led to mining decisions and attracted significant investment. Notably, Patrick Highsmith, a member of their board, was previously CEO of Lithium One and played a pivotal role in its success. The depth of experience within their leadership and board positions them favorably in the lithium market.

### Strategic Investor Engagement

Champion has been actively engaging with strategic investors and institutions, resulting in strong institutional-grade support, addressing a recent share overhang by bringing in new, long-term, and substantial institutional investors. The firm is focusing on building a solid shareholder base and reinforcing its market presence.

### Strong Financial Position and Institutional Support

Champion has approximately \$5.4 million in the bank, thanks to a recent capital raise which used less dilutive charitable flow-through financing and attracted strong institutional investor support.

### Strategic Exploration and Drill Program

Champion has conducted extensive mapping and exploration activities, despite challenges like recent forest fires. They've meticulously identified drill targets across their substantial 530 square kilometers, which is crucial for the upcoming exploration program. The initial drill program is expected to begin in November, with results anticipated in Q1.



### **Emerging Multi-Mine Jurisdiction**

James Bay in Quebec is emerging as a key multi-mine jurisdiction for lithium. Several notable projects, including Patriot and Winsome, are making substantial advancements. The presence of infrastructure, including a 12-month access road, inexpensive hydroelectric power, and other favorable conditions, makes this region highly promising for future development of multiple projects.

### **First Nations Engagement and ESG Commitment**

Champion places a strong emphasis on First Nations engagement and corporate social responsibility. They have proactively initiated conversations and support for the indigenous communities affected by forest fires in the region. By collaborating on community projects like building playgrounds and skateboard parks, Champion aims to demonstrate its commitment to responsible resource development and community involvement.

### **ASX Listing and Market Recognition**

Jonathan acknowledged that the market may not yet fully appreciate the value of Champion and its extensive land holdings. To address this, the company is actively pursuing an ASX listing to gain exposure to a broader investor base in Australia who have already been actively buying the shares in Canada.

### **Multi-Faceted Resource Approach**

Though Champion's main focus is lithium, the company maintains significant cobalt assets which Jonathan will assess at the right time to monetize these assets, potentially via a spin-off at an appropriate time..

### **Strategic Partnerships and Shareholder Focus**

Jonathan emphasizes the importance of their shareholder base, considering shareholders as partners rather than merely investors. The management team holds substantial equity positions in the company aligning their interest with shareholders. Jonathan has substantial background in Korea and underlines the ongoing dialogues with industry players, such as LG Chem, SK, and POSCO, for potential strategic partnerships in the future.

## E78 Pilbara Minerals' Dale Henderson

Dale Henderson, CEO of Pilbara Minerals, shares insights into the company's strategic approach to acquisitions, preference for Tier 1 jurisdictions, and long-term growth perspective.



**Watch Now!**

### Pilbara's Growth and Evolution

Dale discussed Pilbara's journey from 2015-2016 when it started gaining attention, highlighting the challenges it faced in 2018-2019 and its subsequent recovery. He compared Pilbara's journey to that of Fortescue in the iron ore industry, emphasizing the potential for Pilbara to continue growing in the lithium market.

### Production and Expansion Plans

Dale provided an update on Pilbara's spodumene production, stating that they achieved approximately 620,000 tons in 2023 and indicating progress toward their P680 target. He also discussed the P1000 project, mentioning that it's in the design and ordering phase, with a target for construction completion in mid-calendar year 2025.

### Lithium Market Insights

The interview touched on the significant changes in the lithium industry, emphasizing the rapid emergence of new players in the market. Dale highlighted Pilbara's strong position as a major raw material supplier and its exciting growth and expansion plans in response to the evolving industry landscape.

### Resource Expansion and Future Growth

Pilbara has significantly increased its ore reserve to approximately 210 million tons, which translates to a potential 34-year mine life providing ample headroom for further expansion, potentially exceeding the P1000 target. The company plans to conduct studies to assess the feasibility of further increasing production capacity, and these findings will guide future expansion plans. Ongoing drilling and exploration activities suggest the possibility of even more substantial resource growth.

### Midstream Development and Product Focus

Pilbara is actively working on a midstream demonstration plant. While this project is still in the early stages, the company aims to achieve meaningful output by the September quarter of the following year, with full-scale production ramping up around the March quarter of calendar year 2025. The focus of the midstream project is to enhance product quality and sustainability, aiming to deliver a higher-value lithium product. Pilbara is open to deploying this new product to emerging battery hubs outside of China, depending on its success.

## Financial Position and Capital Management

Pilbara has over \$3 billion in cash and has a strong free cash flow, which can cover dividends and capital expenditure. The company is evaluating potential changes to its capital management framework, including share buybacks, special dividends, and provisions for mergers and acquisitions (M&A). However, no changes have been finalized at this point. Dale remains optimistic about the long-term outlook for the lithium market, citing a structural deficit and strong demand for EVs and energy storage. He acknowledges short-term market volatility, which is partly driven by sentiment buying and responds to supply-demand dynamics. Ultimately, the company expects that market fundamentals will prevail, and the industry's prospects remain positive.

## Market Dynamics and Supply Growth

Dale Henderson discusses how the current lithium market differs from previous cycles, highlighting that unlike previous downturns where some producers mothballed operations, the current market sees more consistent expansion plans across the industry. This suggests that sentiment-driven buying and supply-demand imbalances are driving market dynamics. Pilbara Minerals, along with other producers, aims to meet growing demand as the industry matures, but supply growth remains constrained by the challenges of bringing new resource projects online.

## Global Battery Materials Hub

Dale talked about the emergence of battery materials hubs outside of China. While China has established a dominant position in the lithium-ion supply chain, regions like South Korea, Europe, and North America are showing potential as emerging hubs. Dale is keeping a close eye on these developments and believes that the world needs multiple battery materials hubs to support the growing demand for batteries. The exact locations and configurations of these hubs are yet to be determined.

## Margin Distribution in the Value Chain

Dale predicts that in the foreseeable to midterm future, the majority of margins will continue to reside with raw material suppliers like miners due to the supply constraints for battery materials. However, he acknowledges the potential for healthy margins in chemical conversion, particularly for competent chemical converters that can meet quality requirements and target markets appreciating these standards. The margin distribution in the value chain will continue to favor miners, but there are opportunities downstream for those who excel in the chemical conversion process.

## Market Dynamics and Pricing Uncertainty

Dale discusses the evolution of long-term lithium spodumene pricing and the uncertainty in the short to medium term. The market has experienced a significant shift in expected long-term pricing, from initial projections of \$600 to \$650 per ton to the current estimate of \$1450. He acknowledges that the short-term pricing remains volatile, and the focus is more on the long-term outlook. Dale sees opportunities for high margins given its low-cost production, but the exact short to medium-term pricing is challenging to predict.



### **Cost Management and Efficiency Improvements**

The discussion highlights the impact of rising costs in the industry due to factors like inflation and increased capital intensity. Dale emphasizes the importance of cost management and outlines various initiatives aimed at reducing costs, including power solutions, haulage improvements, direct outloading facilities, and efficiency enhancements at the mine site. While he doesn't expect costs to halve like in the iron ore industry, he sees ample room for incremental cost reductions.

### **Mergers and Acquisitions (M&A) and Strategic Partnerships**

The interview delves into Pilbara's process of potentially forming a joint venture with partners interested in their spodumene production, noting strong interest for its 300,000-ton spodumene offering, which includes potential joint ventures, long-term offtakes, and more. Interest has come from a diverse range of parties, including core customers, chemical converters, OEMs, and others. The goal of this process is to make a long-term, multi-decade commitment that benefits shareholders. Updates on this process will be provided in the coming months.

### **Preference for Tier 1 Jurisdictions**

Dale has a strong bias towards Tier 1 jurisdictions for investments or acquisitions. This aligns with their focus on reducing risks and ensuring the best value for their investors.

### **Patient Approach to M&A**

Dale acknowledges the ongoing M&A activity in the lithium space but emphasizes a patient approach. The company wants to be well-prepared and ensure that any M&A activities align with their long-term growth strategy. While they're open to exploration, development, and production assets, the specific project's merits are the primary consideration. Dale is conscious to ensure that Pilbara doesn't make hasty or overpriced acquisitions, acknowledging mistakes of other mining companies that overpaid for assets in the past. .

### **Valuation Disparities in the Market**

Dale acknowledges the valuation disparities in the market, with some companies paying high premiums for early-stage projects. Pilbara Minerals maintains a long-term perspective, emphasizing that the market eventually recognizes the value created by consistently expanding and delivering reliable production at low operating costs. Dale suggested a Warren Buffett-like long-term value perspective - Mr. Market is a weighing machine in the long-term and a voting machine in the short term - and believes that the market ultimately recognizes value over time. The company's focus is on steadily growing its world-class asset, generating consistent returns, and delivering on its strategy.

## E79 LME Week Lithium Special. Fastmarkets' Will Adams

RK Equity's Rodney Hooper engaged in a thought-provoking discussion with lithium market analyst, **Will Adams** of Fastmarkets, exploring key industry insights and market dynamics in the lithium-ion battery materials supply chain.



**Watch Now!**

### Aftermath of Supply Surge

The lithium-ion battery materials supply chain is currently in the aftermath of the supply response observed since the second half of last year. This response included an increase in direct-shipping ore (DSO) and growing production in China.

### Demand Versus Supply

While demand has been strong, it is weaker in comparison to the substantial growth seen the previous year. The increase in production capacity was in anticipation of even stronger demand, leading to a buildup of inventory.

### Inventory Challenges

The industry has experienced a buildup of inventory in the past six months, primarily shifting from the mid-stream to more upstream locations. Additionally, inventory is present at the electric vehicle (EV) level, despite solid car sales.

### China's Economic Impact

China's economic cycles are now having a more significant impact on the lithium and battery market than in the past. Slower economic recovery has affected spending on high-ticket items like EVs.

### Growth Rates

The growth in China EV sales remains strong, but has slowed compared to previous years, impacting sentiment and contributing to inventory buildup.

### Inventory Distribution

Inventory levels vary across the supply chain. The lowest inventory is found at cathode manufacturers, while the highest levels are at OEMs and dealerships, which is causing an imbalance in the market.

### Supply Response

Supply has started to tighten due to cutbacks in China, and this correction process is expected to continue. Prices are currently weak, and margins have been squeezed.

### **Expectation of Price Rebound**

Prices are expected to rebound, with a potential increase in the final months of this year. Recent slight price increases in China support this outlook, and the market is expected to shift from destocking to restocking.

### **Focus on Battery Material Sources**

The industry is looking for diverse sources of battery materials, and there is a growing interest in securing supply sources, especially in regions compliant with ESG (Environmental, Social, and Governance) standards.

### **Mergers and Acquisitions (M&A) and Know-How**

M&A activities can help the supply side address challenges related to a lack of industry experience and know-how. The industry is still evolving, and M&A can contribute to more stable supply chains.



## Rock Stock Recap | E4

In their latest bi-weekly Rock Stock Recap, **Howard** and **Rodney** examined price volatility, leading indicators, exploration opportunities, and strategic partnerships and M&A..



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### M&A Activity - Lithium Power International and Codelco

Lithium Power International's 50c+ acquisition by Chilean state-owned copper producer Codelco was discussed as a relatively inexpensive valuation considering deals for similar Argentina assets in recent years.

### Albemarle and Lontown Deal

The two discussed Albemarle's decision to walk away from its high profile USD 4.4B 'best and final' offer for Lontown, Gina Rinhart's role in blocking the deal and what price Lontown's shares may fall to as a result of an expected equity raise.

### Albemarle's Production Needs

The hosts also explored Albemarle's production needs and whether the company had enough production from its existing assets, including Greenbushes and Wodgina, to meet its requirements. The potential need for additional spodumene and the difficulty in finding a suitable replacement was discussed.

### Future Market Dynamics

Howard and Rodney considered the evolving dynamics of the spodumene market and the importance of factors such as proximity to production, jurisdiction, and the potential for an undisciplined market. They speculated on the strategies Albemarle might employ to reassert control in the market, including potential acquisitions like Pilbara.

### JP Morgan's Bearish Forecast

Rodney discussed JP Morgan's bearish forecast for lithium prices, highlighting the bank's potential oversight of the differentiation between aggregate lithium supply and battery-grade supply. He emphasized the challenges of low lithium prices and their impact on new project financing. The hosts questioned the accuracy of supply projections from various projects, including those in Zimbabwe and Mexico, which may not be feasible. They raised concerns about forecasts that assume low prices alongside significant new supply, arguing that it doesn't align with economic realities.

### **Canary in the Coal Mine**

Rodney discussed the new sources of supply, including projects in Africa, and raised the question of whether the opening of new supply sources was a precursor to a potential market squeeze. They emphasized the need for lithium prices to remain at levels that encourage project development.

### **Price Volatility**

The hosts considered the possibility of lower highs and higher lows in lithium prices, driven by sentiment and supply dynamics. They acknowledged that the lithium market can experience volatility, similar to other commodities like oil, iron ore, and copper, and stressed the importance of price stability for the electric vehicle industry's growth. The potential for lithium spot prices remain highly variable, possibly reaching very high prices at times. They also acknowledged that auto manufacturers are signing long-term contracts and are unlikely to pay extremely high spot prices.

### **Leading Indicators**

In looking for potential leading indicators for a turnaround, the two mentioned the Guangzhou futures and Ganfeng's stock performance as possibilities.

### **Exploration and Investment**

Rodney and Howard emphasized the potential for value in early-stage exploration companies and how the market has corrected to more reasonable valuations for these opportunities.

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