

Argentine brines overflowing with cash



Three Australian companies looking to make their mark in Argentina have taken advantage of the resurgent lithium market to collectively raise \$60 million for their brine development projects.

Galan Lithium Ltd (\$10 million) and Lake Resources NL (\$20 million) both hit three-year highs on the ASX as the market rallied around plans to kick off the next round of studies at Hombre Muerto West and Kachi, respectively.

Argosy Minerals Ltd also saw its share price increase as much as 250% during January and February, opening the door for a \$30 million oversubscribed placement to institutional investors which ensures the company is now fully funded to first production of battery-grade lithium carbonate at its Rincon project in Argentina's Salta province.

The success of the next wave of lithium developers in Argentina comes as Galaxy Resources Ltd nears completion of the design and piloting phase for stage one production at Sal de Vida in Catamarca. FEED for the wet fields, brine distribution and evaporation ponds was 95% complete as reported at the end of January.

Lake was the first cab off the capital raising rank on January 25 with what managing director Steve Promnitz described as a "transformational transaction" for the company. Proceeds from the oversubscribed placement, which attracted a number of new global institutions to the register, will be used to tick off a number of upcoming milestones such as the recently commissioned DFS on Kachi and operation of a lithium chloride direct extraction pilot plant in California.

Roth Capital Partners LLC acted as the sole placement agent and has since been appointed as a financial advisor to help broaden

the company's investor base across global markets.

"We were particularly pleased with the work that Roth Capital did because they were able to attract institutions which were not only interested in the battery materials supply chain, but also in clean technology and in ESG-related funding outcomes, which is a key differentiator for Lake," Promnitz told **Paydirt**.

"This was a transformational transaction for Lake and its shareholders. We're very excited to have that level of support from institutional investors across the globe and we suspect there's probably going to be more of that coming. The reaction [to the placement] was excellent and it was really the culmination of five years' work to actually get the company to this stage.

"Now with this financing in place, we can get on and actually deliver what we're aiming to do which is move towards production of sustainable, high-purity lithium for that fast-growing EV market."

It was a similar experience for Galan which had Luxembourg-based green energy fund Thematica Future Mobility contribute \$4 million to the \$10 million placement on January 27. By the end of that day the company's share price had increased 24% and its market cap was back above \$100 million for the first time in more than 18 months.

Galan managing director Juan Pablo Vargas de la Vega agreed the institutional market was "hungry" to deploy funds in advanced lithium projects such as Hombre Muerto West.

"This raise was a bit spontaneous, it all happened in a very short period of time, but there was a really positive outcome at the end," he said.

"Thematica has participated in our last two raises...they found Galan is definitely a company they want to be part of and they've been quite supportive. Now they are significant shareholders.

"A company that deploys that sort of money in a short period of time...you don't invest that aggressively unless you have a clear view that this is going to work or you have an indication that Galan is a company that is going to give good returns. There's a lot of thinking by companies like Thematica and I'm pleased we're part of their investment portfolio."

Argosy is the most advanced of the three companies and is now fully funded through to first production of battery-grade lithium carbonate at its modular 2,000 tpa at Rincon. Funds will also be used to undertake feasibility and development works to ultimately lift production to 10,000 tpa.

Prior to raising \$30 million for his company, Argosy managing director Jerko Zuvela sensed the market was shifting back in favour of lithium when the likes of SQM and Albemarle Corp, as well as ASX-listed pair Pilbara Minerals Ltd and IGO Ltd, locked away substantial sums of money in the final months of 2020.

"We definitely thought it was going to happen at some point at time, but I must admit when you're in the doldrums only a few months ago – and been there for a couple of years prior – you probably can't see the lights in the trees," Zuvela told **Paydirt** last month.

"You always hope it's not too far away, but all you really can do is just stick to your planning for when it does turn. And I guess that's why we've been able to advance with news flow over the last two months because we had prepared and were ready to go.

"With lithium prices increasing in China,



which is obviously is the main driver of a lot of the demand in the market, I guess people saw that early door a few months ago and we're the beneficiaries of it now. Even when we sold our 20t product cargo mid-to-late November, prices hadn't really increased that much that we thought the turnaround was coming so quickly...but it's very much welcome, that's for sure."

Promnitz said the market had finally woken up to issues

that he and the likes of Benchmark Mineral Intelligence have been promoting heavily for a number of years, in particular the fact the global growth in EVs and battery manufacturing capacity was not being matched by available and projected battery materials supply.

"Benchmark saw an increase in the overall lithium pricing complex in November/December of about 11.5% before we started to see spot pricing kick up in December and particularly so in January," he said.

"It's quite unusual to see spot pricing out of China picking up just before Chinese New Year. I was really encouraged by the fact that one of the major battery makers, CATL, was actually paying a triple bonus to work straight through Chinese New Year, so that told us that something was coming.

"I had wondered, as has our board, as what it would actually take for the world to wake up and see there's a real issue here...but it seems that pick-up in the overall spot price was what triggered it. It was also at the same time as we saw the Biden administration come in, particularly with their focus on the whole EV transition and the hiring of previous ex-governor of Michigan, Jennifer Granholm, as energy secretary.

"In conclusion, there's just not going to be enough supply to meet demand by 2030. We can see it by about 2025, but after that most of the forecasters – Benchmark, UBS, Canaccord, Bloomberg, etc – none of them can see how that supply is going to be met."

Lake has also committed funds to commissioning the on-site demonstration plant at Kachi as well as completing the environmental and social impact studies. The company also recently promoted experienced South American mining executive and long-time board member Nick Lindsay to the role of technical director to coordinate all aspects of the DFS,



Juan Pablo Vargas de la Vega

including the critical work being completed by Lilac Solutions Inc on the direct extraction process and Hatch Ltd on the engineering side.

Completion of the DFS is pencilled in for Q1 2022, by which time the company hopes to have all the required approvals in hand to start chasing construction finance.

Promnitz expects that Lake will not be the only lithium developer to attract plenty of attention from investors over the next 12 months and beyond.

"One of the things that the market is not quite getting is that lithium demand is accelerating so fast that we're going to need seven companies the size of SQM every year for the next 10 years just to meet the lithium demand that we can see coming," he said.

"People are going to ask 'is it this development company or that development company?' and the reality is probably most of them will get financed unless there is some particular reason for them not to.

"The key then is what you do with that finance and what we've learnt out of this last period of quite flat pricing is you've also got to have the right partners, you've got to have the right product and I think we're almost uniquely positioned to be able to pitch into that space going forward."

Galan will now progress to the next phase of study work at Hombre Muerto West following completion of a PEA on the project late last year. The study found production of 20,000 tpa of battery-grade lithium carbonate equivalent over more than 40 years would deliver a number of robust economic results, including an unlevered pre-tax NPV of \$US1.01 billion, IRR of 22.8% and payback within 4.3 years.

Initial capex is estimated at \$US439 million (with 30% or US\$101 million in contingency), with forecast cash costs of \$US3,518/t among the lowest in the industry.

"We believe that this is just the first pass," Vargas de la Vega told **Paydirt**. "We've already identified some areas where we can optimise the project and we also believe that we can potentially increase our production profile. We also have an understanding that by doing so and optimising the use of our ground, we can reduce our capex and opex at the same time.

"One of the things that's really important here is we were very conservative on the numbers and yet we still came out with over \$1 billion in value. This is very good metrics for us because as the markets turn around and the long-term view of lithium carbonate goes up, the financial metrics of Hombre Muerto West will improve, in line with the optimisations that I just mentioned.

"This journey has been with its ups and downs and it's been difficult at times, but I would say this a marathon and you must stick with it. You can't quit a marathon after 2km, you have to keep going."

Galan will also use some of the funding to explore its newly acquired Greenbushes South lithium project, about 3km south from the major mine owned and managed by Talison Lithium Ltd.

Vargas de la Vega said the number of lithium-ion batteries needed to power the pipeline of future EV fleets was growing "faster than anyone's expectations" and he is already anticipating a "rat race" among the next group of aspirant producers.

"Not all lithium projects at the end of the day reach production, but our hopes are that we'll become one and so we'll work towards that principle and hope that we can get there," he said.

"What I know we have is not just lithium, but a high-grade, low-impurity setting that is not common. The last company that wanted to do something similar to us was POSCO and they paid \$US280 million for such a resource – and that wasn't even in a boom market."

Despite the return of sentiment towards the lithium sector, Zuvella said it was crucial for those companies which have taken advantage and raised capital to ensure they continued to advance their projects.

Along with its production ambitions and some initial exploration work at its Tonopah lithium brine project in Nevada, US, Argosy plans to have drill rigs return to Rincon in a bid to expand its existing resource base.

"You're not raising money to lose money, so you've got to keep adding value into the business and that's what we're looking to do," Zuvella said.

"We think that by moving into a production facility that keeps us ahead of our peers, hopefully that's very attractive to not only our shareholders but attracting new shareholders who really want exposure.

"Given that the big guys – the SQMs, the Albemarle, the Livents and the Orocobres of this world – have all increased their value substantially over the last couple of months, we think we should be aiming towards those targets. Hopefully, there's a lot of growth to come and people can see and realise that value by us executing on our plans."

– Michael Washbourne