

Lithium Stakes – Off to the Races

At the risk of over-using our horse race analogy in the Lithium space, it could be said that the field is crowded near the Starting Post and very much thinner near the Finish Line. We thought it might be useful in light of surge in the number of lithium players to take our mining lifecycles chart and array the players across the field. The lifecycle chart we debuted quite a number of years ago now. We felt it was useful to visualize where certain players were not just in their progress (or not) towards production but also where they were vis-a-vis their peers in the space. As was apparent market capitalization seemingly has no relation to progress towards production or quality of assets. The lifecycle chart when applied as a price indicator to the Rare Earth space failed when there was insufficient recognition in the market of the progress that some names had made or the overestimation of the progress of others with superior IR efforts.

In Lithium it's much clearer who are the current runners heading into the home straight. The question is how many of the names farther back in the field will make it to the finish line eventually and how many will end up in the glue factory.

A Surfeit of Shells

After a long drought in the mining space the number of active listed players has thinned out while the number of shells available has risen. It's easier to keep a shell in suspended animation in Canada than it is in Australia, so naturally the TSX-V has more shells on the beach than they have Downunder.

The relevance of this is (as we have seen before in Rare Earths) that the more potential vehicles available (and the duller the other options are, like gold exploration for

example) the greater the temptation will be to repurpose a shell as a Lithium play. The only “limitation” is the lack of moose pasture (or kangaroo paddock) with some whiff of Lithium in the mineralogy.

Ergo, if the other mining sub-sectors don't pick up all that fast, more of the bottom-fishing promoter types will be tempted to spin the Lithium Wheel of Fortune by repurposing their spare shells into a play in the sexy “new” space.

The current state of the field

Understandably those that have lasted the distance are now the closest to production, though some may still fall before reaching the finish post if their capex is too big and they cannot find a generous offtaker. Almost all of the new entrants will need to go through the usual cycle of resource, PEA, PFS etc to move their horses along the field. Surprisingly though for a market that is giving short shrift to all projects, in whatever metal, that are at the exploration phase the investor population seems prepared to give new entrants a free pass and bid up their stocks irrespective of how formative the asset might be.



We have updated our lithium “form guide” with some new runners and some that have been around but not looked at by us before. The Pilgangoora area of Western Australia is a veritable beehive of activity. Altura was first in best dressed and has gleaned a market cap of over \$200mn for its troubles. The area has become a mosh-pit with Macarthur Minerals (the only TSX-listed miner we know of playing in the Australian lithium sandbox) and also lesser-known (to us) names such as Tyranna Resources, Mining Projects Group and Pilbara Minerals. None of these latter names have been included as frankly we don't know where they are on the exploration-production continuum. Macarthur we know is greenfields while Altura has a PFS of

recent vintage with a bite-sized capex of AUD\$129mn.

An interesting playing piece in all this is the mothballed facility of RB Energy, sometimes known as Canada Lithium. Once the brainchild of the people who brought you Red Back Mining, it came to grief in 2014.

Meanwhile Neometals have moved up into the producer category just this week.

Conclusion

The leaders in the race are becoming more evident. Scarcely any new names have moved to the front of the pack and some of the non-performers from the first "lithium boom" have been ethnically cleansed. It is not clear what will dramatically thin the ranks beyond a financing drought or a reversal in the lithium price.

Another helpful feature is that the companies' "ask" from investors has been surprisingly modest and that is rebounding positively on the stocks. In the last week Alix Resources raised \$515,000 and was rewarded with a 50% stock rise, Galaxy/General Mining are reviving Mt Cattlin out of their own resources, Macarthur captured a strategic investment from the sector's new sugar-daddy Rare Earth Minerals PLC (also a backer of Bacanora) and Neometals is actually returning cash to investors. Now all we need is for a few of these projects to be paying regular dividends and the punters will be lining up around the winner's circle.