

Albemarle Lithium Auction offers a bold move forward in pricing transparency in the critical minerals market

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In a notable development within the lithium industry, [Albemarle Corporation](#) (NYSE: ALB), the world's largest producer of lithium, has announced its plan to host an auction for a significant quantity of lithium on March 26. This move marks a strategic attempt to address the persistent issue of price discovery in a market characterized by its lack of transparency and high volatility. Jack Lifton, Co-founder of the [Critical Minerals Institute](#) (CMI), offers insightful commentary on the implications of this event, tying it to the broader challenges facing the lithium market today.

The auction by Albemarle, according to a [news story](#) published on Reuters yesterday is a response to the dramatic shifts witnessed in the lithium sector, propelled by the electric vehicle (EV) revolution. Since 2007, lithium production has surged from less than 4,000 tons to 186,000 tons, underscoring the metal's critical role in the transition towards electrification. Despite this growth, the industry has struggled with establishing a clear and stable pricing mechanism, a challenge that Lifton identifies as a major impediment to investment and development within the sector.

Historically, the pricing of lithium has been opaque, often negotiated privately between producers and buyers. This lack of clarity has been further complicated by the introduction of lithium contracts on Chinese exchanges, which, despite their

potential, have failed to provide a global benchmark due to issues of transparency and accessibility for international market participants. Western attempts to establish futures trading for lithium, such as those by the London Metal Exchange (LME) and the Chicago Mercantile Exchange (CME), have also seen limited success, highlighting the disconnect between traditional commodity trading mechanisms and the unique dynamics of the lithium market.

Albemarle's upcoming auction represents an innovative approach to tackling these pricing challenges. By opening up the sale of a substantial quantity of lithium to competitive bidding, the company aims to foster greater transparency and provide a more accurate reflection of current market valuations. This initiative not only seeks to bridge the gap in price discovery but also serves as a potential model for future transactions in the industry.

Lifton emphasizes the importance of this auction in the context of the lithium market's evolution. The shift towards digital auctions and the potential for establishing more transparent pricing indices reflect the industry's adaptability and its search for solutions that align with the realities of global lithium supply and demand. However, he also cautions that while this auction may offer valuable insights, it is not a definitive solution to the market's overarching issues of volatility and unpredictability.

In conclusion, Albemarle's decision to host an auction for its lithium products is a significant step towards addressing the critical challenge of price discovery in the lithium market. As Lifton notes, this approach represents a move away from traditional pricing mechanisms and towards a more transparent and dynamic model. While the long-term impact of this and similar initiatives remains to be seen, they underscore the

lithium industry's ongoing efforts to adapt to the complexities of a rapidly evolving global market.

Top 3 best valued lithium juniors, as lithium prices near a bottom

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Following an incredible 2022, the lithium sector has had a horrible 2023; however soon the pain should be over. The China lithium carbonate spot price is down 82.5% in the past year and is now below the marginal cost of production, meaning the lithium price fall should end very soon. This assumes the marginal cost producers continue to stop production and that EV sales continue to grow in 2024.

Why have lithium miner stock prices fallen when lithium prices have surged higher?

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Investing in the stockmarket is part science and part art. The science part refers to the fundamental analysis and the art

refers more to the instinct/understanding and timing of investments. What truly sets great investors apart from the average are two things – Spotting a winning trend early and investing when there is a market disconnect caused by negative sentiment.

Today's article is about just that. The winning trend is the EV and lithium boom, and the disconnect is the recent lithium price gains while the lithium miners stock prices fell. Did you know that in the past 3 months lithium carbonate spot prices in China have more than doubled ([up ~125%](#)), yet lithium miners stocks have fallen in many cases by 25% or more in the same time period?

China lithium spot prices are up ~125% in the past 3 months and 10x the past 14 months



[Source](#): Trading Economics

The chart below shows the stock price falls of several lithium producers and one highly promising junior. In the past 3 months (as lithium prices more than doubled) Albemarle Corporation (NYSE: ALB) has fallen 32.40%, Livent Corporation (NYSE: LTHM) has fallen 28.43%, SQM (NYSE: SQM) is down 6.20%, Ganfeng Lithium (HK: 1772) is down 9.53%, and Lithium South Development Corp. (TSXV: LIS) is down 35.35%.

Leading lithium miners' stock prices the past 3 months have fallen significantly



Source: [Yahoo Finance](#)

Why have lithium miner stock prices fallen when lithium prices

have surged higher?

The answer as to why is as follows:

- Several lithium miners sell their lithium on contract prices which are yet to properly reflect the market spot price for lithium. As these contracts expire they will be replaced with much higher contract prices or spot prices.
- Macro events and market sentiment – The general market has been selling off with the S&P500 down about 10% from its peak due to U.S. interest rates soon to rise and more recently the Russia-Ukraine crisis. Of course, this will pass and has almost zero impact on EV sales and/or lithium prices. In fact, current very high oil prices are helping EV sales. In my situation my new electric car costs me \$17 to drive 420kms compared to \$75 for my old gasoline car, that's about 4.5x less. Servicing costs are almost zero, with the main cost being tire replacements.

The recent disconnect between the more than doubling of lithium prices and lithium miners stock prices falling would only make sense if the sector was in trouble, yet EV sales are setting new records, up [108%](#) in 2021, and look set to grow well above 50% each year this decade. Lithium demand is forecast to grow [11x](#) this decade with most analysts forecasting growing lithium deficits. So we have a winning trend and a huge disconnect caused by macro factors (Russia-Ukraine conflict, rising US interest rates). Great investors can see this huge disconnect and will move now to profit from it.

Two popular ETFs that track the stocks of EVs, batteries, lithium and EV metal companies also tell a similar story, having both fallen the past 3 months. The Global X Lithium & Battery Tech ETF (LIT) is now trading on a PE of just [26](#) and the Amplify Lithium & Battery Technology ETF (BATT) trades on a PE of only [21](#). Considering the sector's growth rate of well above 50%pa,

this is plain crazy.

A final example could be Tesla (NASDAQ: TSLA). The stock is [down 26%](#) over the past 3 months despite reporting its best ever results in Q4, 2021 and smashing the competition. Tesla had an outstanding 2021 [growing revenues 71% YoY](#) and GAAP earnings by 665% YoY. Total vehicle production grew 83% YoY. 2022 looks to be even better for Tesla with 2 new gigafactories set to open and production likely to grow from ~936,000 electric cars in 2021 to somewhere near 1.7 million in 2022. One more key factor highlighting global EV demand, Tesla has an estimated [1.3 million pre-orders](#) for their Cybertruck. In total Tesla's pre-orders are so high that they don't even accept orders for Model Y in many countries as they cannot meet demand for some years.

Tesla's electric cars have huge waiting lists and well over 1.5 million pre-orders



Closing remarks

All forms of lithium prices (spodumene, Li hydroxide, Li carbonate) have been surging higher the past 14 months. In particular, the China lithium carbonate price has surged **125% higher** the past 3 months, while leading lithium miners and others fell between 6% and 35%. Albemarle, the leading lithium miner, has **fallen 32%** in the past 3 months. This is a huge disconnect, and frankly what great investors dream of. I will be topping up my positions in the EV companies and lithium miners as the EV and lithium boom has only just begun and current macro events have opened up a huge buying opportunity for investors. The last time I saw this happen was in the March 2020 Covid-19 low, with many lithium stocks surging higher once market

sentiment improved.

My view is that the lithium miners are currently like a tightly sprung coil. As soon as the market sentiment and macro issues improve that coil should spring open propelling lithium miners stock prices higher and closing the current huge disconnect.

Don't miss this opportunity to buy into 'white gold' as lithium becomes the most critical element of the modern era.

Disclosure: The author is long all the stocks and ETFs mentioned in this article.

Top 5 lithium junior mines with huge potential in a booming lithium market

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The lithium sector has been the standout of all sectors in 2021, led by lithium prices surging higher from about US\$7,000/t to around [US\\$30,000/t](#) in 2021. Ordinarily, you could expect prices to fall back to earth, but in this case, lithium demand is so strong that prices are unlikely to fall back anytime soon.

Bloomberg recently [stated](#): "EVs have lithium booming – and this time, there is no bust in sight. Demand is expected to outstrip metal production for at least the next five years with few new mining projects on the horizon."

Benchmark Mineral Intelligence recently [stated](#): "Right now

lithium demand is growing at three times the speed of lithium supply.”

Furthermore, a November 2020 [UBS forecast](#) is for “lithium demand to lift **11-fold** from ~400kt in 2021 through to 2030.”

Lithium carbonate price graph showing the extraordinary 2021 price gains



Source: [Fastmarkets](#)

Given the above information, it makes very good sense to invest in the potential next tier of lithium miners. Added to this is the trend towards increasing market share of lithium iron phosphate (“LFP”) batteries, which will lead to greater demand for lithium carbonate, best sourced from lithium brine. Right now Argentina offers the best exposure to emerging lithium brine miners.

Top 5 lithium junior miners (in alphabetical order)

1. Alpha Lithium Corporation (TSXV: ALLI)
2. Arena Minerals Inc. (TSXV: AN)
3. Argosy Minerals Limited (ASX: AGY)
4. Galan Lithium Ltd. (ASX: GLN)
5. Lithium South Development Corporation (TSXV: LIS | OTCQB: LISMF)

Alpha Lithium Corporation

Alpha Lithium (Alpha) 100% own 27,500 hectares of the Tolillar Salar in Argentina and 5,072 hectares at one of the leading salars in Argentina, Hombre Muerto. The Tolillar Salar grades are lowish and in the [200-350 mg/L range](#) with Mg:Li ratios between 4.90 and 5.37 which is ok. A big plus is that Alpha has

[100%](#) of the Tolillar salar to themselves and has now expanded into Hombre Muerto. Additionally, the two Projects have potential future synergies being only 10 kms from each other.

Alpha is testing their in-house developed Direct Lithium Extraction (DLE) process and has achieved some strong results including lithium concentrations of [9,474 mg/L](#) with significant rejection of impurities. They are also testing DLE with Lilac Solutions (private).

At Hombre Muerto drilling is yet to start but given it is the best salar in Argentina then results could potentially be very good. Alpha's Hombre Muerto tenements are on the outskirts of the POSCO property, noting POSCO paid [US\\$280 million](#) to acquire these from Galaxy Resources. Alpha Lithium is taking a fast-track approach towards reaching production, then planning to ramp up volumes thereafter.

Alpha Lithium trades on a market cap of [C\\$158 million](#) and has loads of potential.

Arena Minerals Inc.

Arena Minerals (Arena) has [two projects](#) in Argentina which are Sal de la Puna (11,000 hectares) in the Pastos Grandes salar, Argentina and Antofalla (6,000 hectares) located immediately adjacent and south of Albemarle's tenements. Arena also own the [Atacama Copper Project](#) in Antofagasta, Chile.

At the Sal de la Puna Project Ganfeng Lithium has acquired a [35%](#) project share. Ganfeng also owns a [19.9%](#) equity stake in Arena. Lithium Americas also bought [\\$10 million](#) of shares in Arena recently.

Arena Minerals trades on a market cap of [C\\$206 million](#). Great partners but Arena has sold some Project share at Sal de la

Puna. Possible takeover target. Copper in Chile is a bonus.

Argosy Minerals Limited

Argosy Minerals (Argosy) owns a 77.5% interest (with a [right to move to 90%](#)) in their flagship Rincon Lithium Project on the Salar del Rincon in Argentina. Argosy also owns the Tonopah Lithium Project in Nevada, USA.

Argosy's Resource is still quite small but should potentially be easily expanded when needed. Lithium grade is a bit below average at 324-369mg/L and the Mg:Li ratio is a bit high. All this means is slightly higher operating costs which is not an issue these days with surging lithium demand and very good lithium prices. Argosy is fully-funded and [45% construction completed](#) towards their plan to expand to 2,000tpa lithium carbonate production with first product by mid-2022. Thereafter the plan is to expand by 10,000tpa lithium carbonate production to have 12,000tpa production.

The big deal about Argosy is that they are already producing at pilot plant stage with large evaporation ponds already built. This makes them one of the most advanced lithium juniors globally.

Argosy Minerals trades on a market cap of [A\\$353 million](#). One of the very best and most advanced juniors.

Argosy Minerals Rincon Project is already producing battery grade lithium carbonate and working towards 2,000tpa then 12,00tpa LCE



Source: [Argosy Minerals website](#)

Galan Lithium Ltd.

Galan Lithium (Galan) is developing their flagship Hombre Muerto West ("HMW") Project located on the west side edge of the world class Hombre Muerto Salar. Galan also has the nearby Candelas Lithium Project also at southern edge of the Hombre Muerto Salar. Galan also owns 80% of the exploration stage Greenbushes South Lithium Project which is only 3km south of the world-class Greenbushes mine.

At Hombre Muerto West, Galan has 2.3 million tonnes contained LCE at 946mg/L (very high grade) and a very low Mg/Li ratio of <2.0. When including Candelas, in total Galan has [3.0m tonnes contained LCE @858mg/L](#). Galan completed a very positive [PEA](#) in 2020 with a post-tax NPV8% of US\$684 million.

Galan is doing further drilling in Q4, 2021 with a FS planned for 2022.

Galan Lithium trades on a market cap of [A\\$472 million](#). Top class resource and looking like a future star performer.

Hombre Muerto Salar – Galan tenements (blue outline), Livent (red), Galaxy now Orecobre (yellow), POSCO (white)



Source: [Galan Lithium investor presentation](#)

Lithium South Development Corporation

Lithium South Development Corp. (Lithium South) has 3,287 hectares of tenements [under purchase option](#) at their Hombre Muerto North (HMN) Project, on the northern edge of the Hombre Muerto salar. The Project lies just north of the POSCO and Orecobre projects, and near Livent's very successful lithium mine.

Lithium South has a [M&I Resource of 571,000t contained LCE](#), with

a high lithium grade of 756mg/L and a very low Mg/Li ratio of 2.6:1. The Project has potential exploration upside. Lithium South is trialing DLE technology in parallel with proven evaporation technology. Their environmental baseline study is also underway with [Phase 1 recently completed](#). The Hombre Muerto North Project PEA ([based only on](#) some of the claims) resulted in a [post-tax NPV8% of US\\$217 million and 28% IRR](#), based only on 5,000tpa lithium carbonate production over a 30 year mine life. Initial CapEx was estimated at US\$93.3 million and OpEx at US\$3,112/t lithium carbonate. These are excellent numbers, albeit for an initial smaller size production project. Lithium South is working to further expand the resource following some good [TEM study results](#).

Lithium South trades on a market cap of [C\\$67 million](#). Looks very attractive on such a low market cap.

Closing remarks

The above top 5 lithium juniors all have lithium brine projects located in Argentina. All still have reasonably low market caps and all have great potential in the years ahead. The usual risks apply to lithium juniors such as country risk, exploration risk, funding risk, permitting risk, production risk etc. In the case of these juniors, many have run up in price recently so buying in stages can add safety in case there is a price pullback.

If looking to diversify away from Argentina then some other good juniors such as Critical Elements Lithium Corporation (TSXV: CRE | OTCQX: CRECF) (Canada lithium spodumene project), Global Lithium Resources (ASX: GL1) (Australian spodumene project), and Lithium Power International Ltd. (ASX: LPI) (Chile JV lithium brine high grade project) are worth considering.

Best to take a 5 year time frame and remember to diversify. The EV boom has only just begun so lithium still has a great decade

ahead.

Disclosure: The author is long all of the stocks mentioned in the article (except Livent and POSCO).