

[Korean offtake cheer for ioneer - MiningNews.net](https://www.miningnews.net/news/korean-offtake-cheer-for-ioneer)

7 July 2021

Barry Fitzgerald

Korean offtake cheer for ioneer

ECOPRO Innovation is not exactly a household name. So when the ASX-listed ioneer recently signed a binding offtake agreement with the Korean group for its Rhyolite Ridge lithium-boron project in Nevada, the lack of song and dance in the market was not surprising, writes **Barry FitzGerald**.



But there should have been some hoopla. While not well known, EcoPro Innovation is part of the privately-owned conglomerate EcoPro Co which includes various listed and unlisted subsidiaries operating in the battery materials supply chain.

It is a leader in the cathode active material market, in particular in the high-nickel chemistries in lithium-ion batteries that deliver increased driving range for electric vehicles, and in lithium hydroxide conversion.

Apart from anything else, the broader EcoPro group is the main supplier to Korea's SK Innovation, the world's sixth biggest battery producer with ambitions to become the third biggest under recently announced plans to spend US\$26 billion on five new battery factories in the US, Europe and China by 2025.

So like the rest of Korea Inc, EcoPro has set out to ensure it has access to the battery materials needed for the high-growth scenarios in EVs, and the lithium-ion battery storage of renewable energy.

And as for lithium, it was an exuberant Macquarie that recently put into context just how high-growth the demand could be, saying that in the long term, the lithium market was facing perpetual deficit.

EcoPro's offtake agreement with ioneer is a response to all that, as was its recent share investment in Blackstone Minerals, the ASX company moving towards production at its Ta Khoa nickel-copper-PGE project in Vietnam.

For scale and presence in the Korean battery materials supply chain, Ioneer could not have hoped for better than EcoPro, even without the household name.

But the real beauty for Ioneer is that the agreement is for binding offtake. Dig around and it seems quite possible that it is the first of its type in more than two years, certainly in the lithium chemicals space.

That goes to the push by the battery materials supply chain to ensure its access to supplies in what amounts to the second lithium boom after the over-supply issues of the last couple of years kept a lid on things.

EcoPro could have gone off to an Albemarle or Livent and ordered up lithium supplies under a standard sales agreement. But would it get the volumes it wanted at the delivery dates it wanted, and would there be upside to take more should the market take off?

Not likely. The offtake route is a derisking event for the Koreans as while it delivers supply certainty, it also comes with flexibility to match supply to its own needs.

EcoPro is on the hook to take the lithium as much as Ioneer is on the hook to come up with the supply, with the only condition precedent being that Ioneer arrives at a final investment decision on the circa \$800 million Rhyolite Ridge project.

It goes without saying that arriving at a final investment decision is all that much easier when binding offtake agreements are in place.

That makes the EcoPro offtake agreement with Ioneer something of a game-changer in the lithium chemicals space as the agreement effectively assists with finance because without binding offtake, greenfields projects can't secure traditional bank/project financing.

So it is a milestone for the industry, not just for Ioneer.

Under the offtake agreement, Ioneer will deliver up to 7000tpa of lithium carbonate to EcoPro over a three-year term, with the 7000tpa split into a firm 2000tpa (subject to Ioneer's FID), and an additional and optional 5000tpa (subject to mutual agreement, no later than Q1 2022).

At the 7000tpa rate, the offtake accounts for about one-third of Rhyolite Ridge's forecast annual production of 20,600t of lithium carbonate. The project's annual output of 174,400t of boric acid is already covered by offtake and distribution channel arrangements.

The combination of lithium and boron - it is the same magic mix that Rio Tinto is pursuing at Jadar in Serbia, local protests allowing - is expected to make Rhyolite Ridge one of the lowest cost lithium producers in the world.

A definitive feasibility study put the cost per lithium carbonate equivalent at \$2510/t after taking boric acid as by-product revenue.

For reference, Macquarie has lithium carbonate rising from \$10,399/t in CY2021 to \$14,250/t in CY2025. Ioneer's DFS used a life-of-mine 26-year average of \$13,000/t, and \$11,000/t in the early years.

The project's low cost of production, its US location, and its shovel ready status, has long had it pencilled in as one of the more likely greenfield lithium projects. The EcoPro offtake agreement, and expectations that another couple are in the pipeline, has strengthened its development credentials.

It means the ingredients necessary to secure \$400 million in bank/project financing for the project are pretty much in place.

The remaining \$400 million is planned to be covered by the promised sale of a minority stake at the project level, and/or vendor and export credit financing. The sale of the minority stake would likely be to a financial partner rather than an end user or producer.

On that score, the billions of investment dollars that used to find their way into old world energy is desperately looking for investments in new world or green energy. Lithium fits the bill.

That would leave a small equity component, possibly through the mechanism of a secondary listing for Loneer in the US, something the company has previously flagged it has is under consideration.