

Boron behind Global Geoscience's lowest cost lithium pitch

GLOBAL Geoscience (GSC) has not been alone in being caught in the downdraft for lithium stocks caused by the recent volatility in prices for the buzz battery material in the all-important Chinese market, writes **Barry FitzGerald**.



Rhyolite Ridge

Viewpoint > Barry-fitzgerald

What was a A53c stock as recently as March is now back at 24c, taking the group's market capitalisation down by \$427 million to \$352 million.

Comments

Talk about a rude awakening, particularly for those investors who kicked in \$53 million in to GSC's coffers in June in a placement at 41c a share that was fully underwritten by Citigroup Capital Markets.

Share

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That sort of pain has been shared by the other ASX-listed lithium developers. Kidman Resources is the obvious example with its dive from \$2.38 in March to \$1.02.

It's as if the market has suspended all belief in the thematic that come 2025, the world is going to be short of the lithium needed to fuel the revolution in electric vehicles and the storage of renewable energy.

The reality is something else. That is something GSC - and Kidman - is keeping its eye on while the current lithium pricing storm in China passes, as most suspect it will.

GSC's pitch to be taken seriously as a future lithium producer took shape this week with the release of its preliminary feasibility study in to the development of its "made in America" Rhyolite Ridge project in Nevada, located between Reno and Las Vegas.

The proposed development was priced in the PFS - prepared by engineering group Amec Foster Wheeler - at US\$599 million (including \$173 million for a lump sum turnkey sulphuric acid plant which can be financed separately).

And as was expected, GSC's lithium pitch it is somewhat unique because Rhyolite Ridge is both a lithium and boron project.

The boric acid revenue stream, when taken as a lithium equivalent, allowed the PFS to declare that the project will be the lowest cost lithium carbonate producer in the world at \$1796 a tonne.

That would beat the brine and hard-rock lithium competition hands down and is why the PFS stated the after-tax net present value (at a 7% real discount rate) for the project was \$1.82 billion, without blushing.

But again, the project's lowest-cost claim and its impressive NPV owes much to 173,000tpa of boric acid slotted to be produced along with the planned 20,200tpa output of lithium carbonate (or lithium hydroxide with some tinkering).

It is a unique proposition made possible by Rhyolite Ridge's (almost) unique mineral assemblage. The other lithium-boron project out there is Rio Tinto's Jadar in Serbia which is in the slow lane as a development candidate compared with Rhyolite Ridge.

Slow lane perhaps, but Rio is one side of the global duopoly with Turkey's Eti Maden that controls the global market in borates. Rio's boron footprint comes courtesy of its ageing Boron operation in California, with Jadar seen as an eventual replacement candidate, and an entrée for Rio in to the new world metal of lithium.

Regardless of whether or not Boron soldiers on, or Jadar becomes a replacement, little GSC faces going in head-to-head battle with Rio (and Eti Maden) in the global boron market. The PFS acknowledges that without saying it by using a conservative \$700/t boric acid price compared with the \$800-900/t prices Rio and Eti have enjoyed in recent years.

The planned 173,000tpa production of the stuff does represent a big chunk of the 2 million tonne global market, so price dislocation should be expected. But then again, it seems likely that end users will go out of their way to encourage the entry of a new supplier.

The boron market is also growing at 4-5% annually which in itself will make the task of placing the material all that much easier come late 2021 when Rhyolite Ridge is expected to produce its first ore.

GSC has prepared for the boron challenge by populating its board and management with boron experts, many of them ex-Rio and Orocobre, the ASX-listed Argentinian lithium and boron producer from separate projects.

And thanks to their Rio/Jadar and Orocobre background, there is a depth of experience in the fast evolving lithium market.

Like as is the case with the boron, GSC will also have to find a home for its lithium. Now that the PFS is done, GSC is working towards a final investment decision around the completion of the definitive feasibility study in the third quarter of next year.

Integral to the final investment decision is the outcome of the "serious" discussions with a diverse range of potential market and finance partners now underway.

Project momentum continues despite the current lithium equity markets shakedown thanks to the June placement which took cash on hand to \$75 million, with completion and operation of the pilot plant a key bit of work ahead of the company.

GSC also starts off its financing/offtake negotiations with 100% of Rhyolite Ridge under its belt. So it has plenty of leeway in arriving at deal that maintains a high project ownership should negotiations go down the pathway of a strategic partner picking up equity in the project.

Rhyolite Ridge's location in mining friendly Nevada will have a lot to do with the eventual funding solution. Does the US want to continue to rely on Latin American lithium supplies and Asian battery makers for its EV and renewable energy storage revolution (and the Rio/Turkish duopoly in boron)? Not likely.



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