

Kerr Allan Financial Research

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Binding Boric Acid Offtake Agreement

ioneer Limited (INR.ASX, A\$319m mkt cap) has announced a binding 5 year offtake for 105ktpa boric acid with Dalian Jinma Boron Technology (Dalian Jinma), a major Chinese integrated boron company ([click here for the announcement](#)).

Details:

- 105ktpa boric acid for an initial 5 year term, starting Q1 2023;
- Market-based pricing, fixed for the first 6 months, then adjusted by negotiation with reference to prevailing market price;
- Dalian Jinma has exclusivity as INR's distributor and representative for Chinese and Taiwanese customers, excluding large multinationals with operations in China; and
- Contingent on a positive Final Investment Decision by INR in early 2021.

View:

The binding offtake agreement is significant:

- it covers ~50% of INR's likely boric acid production (assuming they can achieve ~200ktpa in the DFS, supported by the 21% grade increase published in the updated Measured & Indicated Resource after the PFS);
- the fact that Dalian Jinma is prepared to sign up for this tonnage reflects its views on future boron demand growth, including fabrication of NdFeB permanent magnets in the EV industry;
- given ~50% of boric acid demand is from Chinese end users, it makes sense that INR would place 50% of its production into China;
- Jinma Dalian is a top 500 private Chinese company, and also a major integrated boron company; it likely represents one of the most creditworthy offtake counterparties in the Chinese boron market;
- it does not cover multi-nationals with Chinese operations; this leaves the opportunity open for these companies to be involved in the ultimate financing strategy.
- the offtake agreement supports ~20-25% of INR's revenue for the initial five years;

In summary, the announcement validates the boric acid component of Rhyolite Ridge. From a practical perspective, the offtake agreement avoids the need for INR to engage in marketing and distribution of boric acid in China, and aligns them with a major Chinese boron industry player,

rather than being in competition with them. Finally, it helps to de-risk the project financing, while leaving ~50% of estimated boric acid and 100% lithium carbonate production available to strategic investors who might assist with the project financing solution, including those multi-nationals with operations inside China.