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Electric vehicle, battery manufacturers looking to invest in lithium mines



Ken Brinsden, chief executive officer of Pilbara Minerals, says electric vehicle manufacturers will invest in lithium mines to secure supply. **Carla Gottgens**



by [Tess Ingram](#)

Electric vehicle and lithium-ion battery manufacturers are so concerned about securing supply of the battery material they are casting their eye over proposed mines they could invest in, lithium mining executives told a conference in Western Australia.

Alan Rule, chief financial officer of lithium miner Galaxy Resources, said he had recently had meetings with some of the biggest traditional car manufacturers in the world about whether the product from its proposed Sal de Vida and James Bay projects would meet their specifications.

Pilbara Minerals managing director Ken Brinsden also said car and battery manufacturers had sought advice from the lithium hopeful about the thriving sector's pipeline of supply.

Mr Brinsden said he believed project-level investments by big manufacturers would be the "next catalyst" for the lithium sector.

"I reckon it is starting to dawn on them that there could very well be a supply issue and I think they are going to have to start motivating some capital upstream to be able to establish that security in their supply chain," Mr Brinsden said on the sidelines of the Diggers and Dealers mining conference in Kalgoorlie on Monday.

"If you think about the investment required downstream in battery making and car making capacity the capital being deployed is huge – billions and billions of dollars.

"So the idea they might spend a couple of hundred million at the raw material end to assist in security of supply makes a lot of sense."

Mr Rule said the companies were keen to diversify the supply chain away from China, secure production from about 2025 and be able to deal directly with the miners, rather than the lithium chemical converters or battery companies.

"They are very active right now and they have been for the past couple of months," he said.

"We are talking to them about an offtake agreement for Sal de Vida – 10 years and a pre-payment. Then we don't have to go and debt fund anything... they may come in for a small portion of equity. That is how we are hoping to do it and then they have guaranteed supply."

The adoption of electric vehicles and energy storage systems, which use lithium-ion batteries, has boosted demand and pricing for lithium over the last couple of years.

A string of Australian companies are racing to get projects into production to meet the spike in demand but some analysts forecast, even with the new production, demand will exceed supply into next decade.

Galaxy already operates the Mt Cattlin mine in Western Australia. Pilbara Minerals is developing the [Pilgangoora lithium project in Western Australia](#), which it expects to commence production in the second quarter of 2018. Mr Brinsden said the Perth-based company already had a "healthy level of engagement" with large upstream players keen to discuss the security of future supply.

"They do genuinely want to talk about the supply base and where it is going to come from," he said.

"They are paying a lot more attention to it than they might have historically. I think the worm has turned and there is an issue in the industry with respect to that supply base and I wouldn't mind betting that you start to see some of those bigger organisations try and get a seat."

Much of Pilgangoora's production is already covered by offtake contracts, a trend which Mr Rule said was making the manufacturers anxious.

Of about 200 lithium producers and developers globally, Mr Rule said one car manufacturer said only 10 companies met its supply criteria - including production quality, availability, management team and balance sheet strength.

"They are concerned because it is such a long lead time for them to get the electric vehicle process happening they don't want to get caught without access to that so they want to lock away enough supply of LCE to give them all the batteries that they need," Mr Rule said.

"They are really concerned."

Supply chain integration has already begun to emerge at the other end of the lithium industry. Producers of lithium chemicals have teamed up with Australian miners to get new operations into production and [integrate them with the plants](#) that convert the spodumene concentrate produced at West Australian mines into the lithium chemicals used in the batteries.

Elsewhere at the Diggers and Dealers conference, Roy Hill Holdings chief executive Barry Fitzgerald said the company's namesake iron ore project was close to achieving its nameplate production rate of 55 million tonnes a year, after being set back by challenges during the ramp-up.

In the month of July, Roy Hill, which is majority-owned by Gina Rinehart, said the project ran at an annualised rate of about 53 million tonnes.

"We are comfortable we are well on the path to overcoming the issues," Mr Fitzgerald said.

"As we get closer we will find perhaps one or two other smaller ones but we are far more comfortable [that] we know the beast."

Mr Fitzgerald said the Pilbara iron ore project had been selling a product, which met its targeted ore grade of about 61 per cent iron. Despite the slower than targeted ramp-up the company's relationships with its customers and financiers remained strong, he said.

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