



## Notes from the road; Lithium insights from Neometals NDR

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### Mt Marion first shipment due late October with project targeting 50ktpa LCE

We recently hosted a NDR in New York City with Neometals (no rating) management. Meetings focused on the specifics of the company's main project, Mt. Marion, lithium supply, and lithium demand drivers such as Electric Vehicles and Stationary Storage. The first shipment from Mt. Marion is due in late October with a project target of 50ktpa (at full production run-rate) Lithium Carbonate Equivalent (LCE) by January, 2017; if successful global supply will expand by over 20% in 2017 (DBe 201kt LCE in 2016). We are of the view that the lithium market will begin to rebalance by 2Q17, however, this could be delayed if there are any setbacks at new projects. We have a Buy on Albemarle (industry leader, volume growth), Ganfeng (strong market position) and Orocobre (production improvement, valuation).

### Mt. Marion nearing production and first shipment

Neometals is net cash \$79m and owns 13.8% of Mt. Marion. Mineral Resources Ltd. (mine operator) and Ganfeng Lithium (spodumene to lithium conversion) each own 43.1% of the project. Neometals is expecting first spodumene (intermediate product) production in late September and the first shipment of ~10,000t spodumene to Ganfeng in China by late October. Additionally the company is expecting to provide a maiden Reserve and updated Resource (currently 60.5Mt at 1.36% Li2O) for the project by YE16.

### Supply coming but the ramp-up of new projects is still in question

**Supply:** The progress of Neometals' Mt. Marion project is likely to have the largest impact on the lithium market over the next 12-months. Mt. Cattlin, owned by Galaxy Resources is also adding additional supply (~20ktpa target), but in-line with other projects, has faced delays with the first shipment due in December (~2 month delay). Albemarle is also adding production through its 20ktpa LCE La Negra project in Chile due in 2017. We believe Greenbushes, the world's largest hardrock mine, may also expand production beyond the current ~60ktpa. **Price:** Neometals is of the view that the spodumene price may jump from ~\$570/t currently to over \$600/t in early 2017. The company believes the current outside-China price is ~\$14,000-15,000/t for lithium hydroxide, ~\$12,000-13,000/t for battery grade lithium carbonate and ~\$9,000-10,000/t for technical grade lithium carbonate with South American producers set to benefit from contract resets despite the Chinese spot price softening.

### China news: Tianqi, Ganfeng expanding; Albemarle Chinese capacity purchase

Tianqi Lithium recently announced plans to build a 24ktpa LCE processing plant in Kwinana, Western Australia, for ~A\$400m with production due in late 2018. This follows an earlier decision by competitor, Ganfeng Lithium, with the company planning to expand its spodumene processing facilities by 20ktpa LCE (by 2017). Additionally, Albemarle recently announced it will obtain ~15ktpa lithium capacity (with expansion potential) in China through a deal with Jiangli New Materials; currently the company toll treats spodumene.

### Focus stocks

Pan American Silver (PAAS.OQ),USD16.92 Hold  
Price Target USD14.50

Orocobre (ORE.AX),AUD4.10 Buy Price Target  
AUD4.40

Ganfeng Lithium (002460.SZ),CNY29.14 Buy  
Price Target CNY39.00

Tianqi Lithium (002466.SZ),CNY37.22 Hold Price  
Target CNY42.20

Mineral Resources (MIN.AX),AUD10.89 Hold  
Price Target AUD9.00

Source: Deutsche Bank