

FINANCIAL REVIEW

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Readying for world's biggest lithium play

837 words

23 April 2018

The Australian Financial Review

AFNR

First

30

English

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Lithium shapes the way for clean energy

As excitement over electric vehicles fuels demand for lithium, an ASX-listed junior explorer is preparing the ground to develop what is set to be the largest lithium play in the world.

Perth-based AVZ Minerals holds a 60 per cent stake in the Manono lithium project in the south of the Democratic Republic of Congo.

Manono, a historical tin operation that originally started in 1910, consists of two massive pegmatite intrusive bodies divided into the Kitotolo and Manono sectors, which are individually larger than the famous Greenbushes pegmatite in Western Australia.

With a potential total resource of between 1.25 to 1.5 billion tonnes and an average grading around 1.5 per cent lithium oxide, Manono is considered to be key in controlling the global price of lithium in coming years.

"This is most probably the world's largest undrilled lithium resource target," says AVZ managing director Nigel Ferguson.

"It is just going to be massive.

"We are certainly not going to drill out the whole project strike of some 12km, because that will simply take forever and be very costly.

"We have identified two portions of the strike extent with historical mining operations Roche Dure and Carriere de l'Est that will be drilled for resources.

"That should provide sufficient tonnes for any mining studies to be completed and to determine the economics.

"It will certainly be world class."

The southern Kitotolo sector has a strike extent of about 5.6 kilometres, while the northern Manono sector also extends for about six kilometres.

In addition to the lithium mineralisation, Manono also has credits for tin of between 0.1-0.2 per cent and also has good numbers for tantalum, making it a pretty attractive project.

AVZ started a 20,000 metres drilling program in early February to test depth extension and thickness, and currently has four drill rigs on site with a fifth on the way.

It is keen to drill on the Roche Dure pegmatite as a priority, with drilling of the Carriere de l'Est pegmatite as a secondary, but very significant target.

"The southern strike extent of Manono side is where we are concentrating our diamond drilling operations currently," Ferguson says.

"We will focus on the Roche Dure pegmatite and hope to drill out somewhere between 300-400 million tonnes, and then work on infill drilling approximately 150-200 million tonnes of measured resources."

The results have been very encouraging, he says, with all drill holes to date containing a high proportion of spodumene.

AVZ plans to complete its initial 20,000m drilling program by the middle of the year, and provide a resource update around that time.

The company is aggressively targeting to have the definitive feasibility study (DFS) completed in 2019, followed by an investment decision, with production expected to start by 2020.

Given all this frenetic activity, the company is burning money at the rate of about \$1.5 million a month on drilling and associated studies.

In February, AVZ raised \$15 million in equity through a private placement to North American fund Cantor Fitzgerald Canada Corporation, issuing it 60 million shares at 25 cents each, together with 30 million attaching options exercisable at 30.5 cents.

The company currently has \$23 million in the bank, and Ferguson is confident this should tide it over until production funding is required.

AVZ is yet to forward sell any of its future output, despite strong interest from various groups, as it deliberately holds out the rights to fund its operations going forward.

It can take heart from the recent deal signed by rival Pilbara Minerals, where South Korean steelmaker POSCO agreed to buy up to 240,000 tonnes of lithium concentrate a year and also take a nearly 5 per cent stake in the lithium miner.

Given the size of AVZ's project, it has attracted the inevitably strong interest from Chinese battery makers.

In March, it signed two MoUs - with battery electrolyte maker Guangzhou Tinci Materials, and with Beijing National Battery Technology Co - both for potential investment and off-take.

"They are completing their due diligence and we hope to have some sort of decision made on moving forward later this month," says Ferguson.

He says the only reason the explorer will look at outside funding is if it needs to up the ante, such as putting in two to three additional drill rigs in order to speed things up. Ferguson is confident that lithium demand is still underestimated and the sector is only at the start of a growth phase that should stretch at least 5-15 years.

"When you look at the number of battery plants that have been constructed and the plans for others, and when you consider that there are some European countries banning diesel engines in cities and others that want entire cities totally combustion-engine free by 2040, we see it expanding even further," he says.

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