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BATTERY METALS

Seaborne lithium prices hold steady; further decreases expected

Seaborne lithium prices remained unchanged this week as all the reported values were hovering around the values assessed by S&P Global Platts last week.

Lithium carbonate CIF North Asia held at $11,350/mt, while lithium hydroxide stayed at $15,000/mt on the same basis.

But seaborne prices are expected to decrease progressively in 2019, following the lead of the Chinese domestic market, where most of the consumption is concentrated and the biggest portion of spot material trades, sources said.

A seller based in the Americas said that although it was hard to compete in China , when domestic carbonate prices translate to “around $9,000-$10,000/mt ex-VAT,” he would be willing to try to increase his market share there. He also reported that hydroxide is currently trading at around $15,000/mt CIF in Japan and South Korea , “but is likely to decrease in the second half” of 2019.

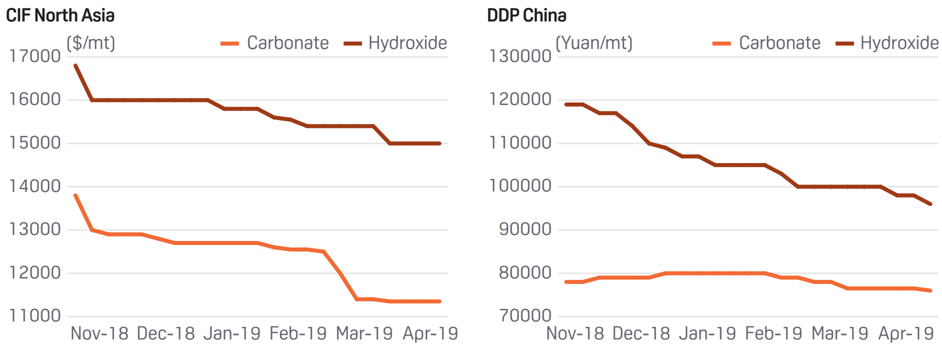
“The change in the subsidy policy should trigger a spike in the demand from now until June or July, and then it will potentially

(continued on page 2)

BATTERY METALS

	Weekly prices	Change	Date assessed
Lithium Carbonate			
CIF North Asia ($/mt)	11350	0	18-Apr-19
DDP China (Yuan/mt)	76000	-500	18-Apr-19
CIF North Asia Import Parity (Yuan/mt)	85817	-396	18-Apr-19
Lithium Hydroxide			
CIF North Asia ($/mt)	15000	0	18-Apr-19
DDP China (Yuan/mt)	96000	-2000	18-Apr-19
CIF North Asia Import Parity (Yuan/mt)	113414	-524	18-Apr-19
Cobalt Sulfate			
CIF North Asia ($/mt)	8450	+50	18-Apr-19
DDP China (Yuan/mt)	52000	+1000	18-Apr-19
Lithium Spodumene			
6% Spodumene Concentrate FOB Australia ($/mt)	650	0	29-Mar-19

PLATTS LITHIUM CARBONATE AND LITHIUM HYDROXIDE



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decrease," said a market observer based in the Americas who already sees CIF Japan / South Korea hydroxide prices "slightly below $15,000/mt."

An Asian trader who negotiates mostly term contracts saw the tradable value for carbonate in a $11,000-$12,000/mt range, while a second Asian trader source added that the "trend towards [nickel -rich] NCM 811 cathodes didn't really affect demand for carbonate that much yet" since "only a few manufacturers can do NCM 811 batteries at the moment." The source saw the $11,350/mt mark as reflective of the market.

"Market participants are concerned about whether NCM 811 demand would really pick up and when," added a Chinese producer.

A South Korean consumer who stressed that it is still "necessary to pay a premium above the Chinese domestic prices " saw the tradable values at $11,500/mt for lithium carbonate and $15,000/mt for lithium hydroxide, both on a CIF basis, but did not place any orders this week.

The Platts $11,350/mt CIF mark for lithium carbonate was equivalent to Yuan 85,817/mt, including 13% VAT, based on the Platts' import-parity formula, while lithium hydroxide's price at $15,000/mt was equivalent to Yuan 113,414/mt on the same basis. The Yuan was assessed at 6.6911 to the dollar at 4:30 pm Singapore time Thursday.

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Chinese domestic lithium prices soften further

Chinese domestic lithium prices moved down this week as demand was still considered poor by local market participants.

S&P Global Platts assessed battery-grade lithium hydroxide down Yuan 2,000 to Yuan 96,000/mt on a delivered duty-paid China basis, with consumers' indications as low as Yuan 95,000/mt.

Several market participants have been bearish on hydroxide prices for the remainder of the year, especially because of the increasing oversupply of spodumene concentrate from Australia to Chinese converters.

However, a Chinese supplier who pegged hydroxide's tradable value at Yuan 97,000/m expected the demand for the product to "slightly pick up after June as vehicle producers would prefer to use nickel -rich batteries if they want to get subsidies" from the government.

One potential winner from the subsidy cuts appeared to be industrial grade lithium carbonate , finding its demand base in cheaper LMO and LFP batteries, which are expected to increase in usage, at least temporarily, as automotive producers attempt to keep prices down after the loss and reduction of subsidies. Market participants said this week that industrial-grade carbonate demand remained strong because ofsupply tightness.

But a Chinese consumer source, who saw hydroxide tradable at Yuan 97,000/mt DDP, expected hydroxide prices to keep falling.

Hydroxide prices have been falling at least since Platts started assessing the market in November 2018. At that time, the price was at Yuan 120,000/mt. In addition to the current downtrend, some sources also believed that the prices of hydroxide and carbonate could converge to very narrow — or even nonexistent — gaps in the long run.

Lithium carbonate prices have been firm despite some pressure while hydroxide prices have been falling. Some Chinese market participants did not think battery-grade lithium carbonate had much room to fall further, but lower offers, bids and deals were reported, leading Platts to trim its battery-grade lithium carbonate assessment by Yuan 500 to Yuan 76,000/mt DDP China .

"Carbonate price might keep stable in the near term due to the maintenance amid some producers," the first Chinese seller, who saw prices ranging Yuan 75,000-76,000/mt DDP for large consumers, said. "While brine-converted product is tradable at around Yuan 74,000/mt."

A second producer source who is currently undertaking maintenance did not expect the seasonal stoppage to have a big impact since "there is an increasing number of domestic producers, and we are now more focused on exporting — it might just be an excuse from producers who don't want to lower their prices furthermore."

Market talk was also heard regarding Youngy's Jiajika mine. The company had previously announced that production would resume in mid-April, but many in the market now expect the mine, with a capacity of 23,000 mt/year, to not restart production until June.

"Lithium carbonate remained stable and might trend downward if brine production increases when the weather becomes warmer," a second Chinese consumer source, who saw prices as low as Yuan 72,000/mt on a DDP basis for large consumers and Yuan 75,000-77,000/mt for small ones, said, while a third producer source saw the carbonate price at Yuan 76,000/mt.

On the seaborne market, lithium carbonate and hydroxide were assessed on a CIF North Asia basis at $11,350/mt and $15,000/mt, respectively, Thursday. This means the seaborne market continues to sit above the Chinese domestic on an import-parity basis, with lithium carbonate equivalent to Yuan 85,817/mt, once 13% VAT and port fees are accounted for. On the same basis, lithium hydroxide is equivalent to Yuan 113,414/mt. The Yuan was assessed at 6.6911 to the dollar at 12:30 pm Singapore time Thursday.

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Cobalt sulfate rises for third consecutive week

Delivered duty-paid Chinese cobalt sulfate continued to climb this week, towing North Asian import prices with it.

S&P Global Platts assessed cobalt sulfate with 20.5% cobalt content at Yuan 52,000/mt DDP China , up Yuan 1,000 week on week, while the seaborne market was assessed at $8,450/mt CIF North Asia on Thursday, up $50/mt from April 11.

A stronger electrolytic cobalt market continued to tug the sulfate market along.

An international producer said offers had already increased to around $9,000/mt CIF North Asia , adding the prices for deals had also increased. He said the trend to the upside would end in consumers not accepting the steep increase in prices .

Some market participants on the sell-side expressed concerns the shift higher was unsustainable. There are concerns slow demand and an excess of supply turn the tide as the recent rally is being driven by cobalt metal movements.

Expectations that the recent trajectory of prices could be short-lived was reflected in buying activity, with consumers still cautious of committing to larger volumes at the current levels, despite one producer reporting limited inventory to meet increased orders.

A consumer who believed sluggish demand would rein in the recent uptick said "buyers [won't] place orders blindly at current high levels."

A resumption of cobalt hydroxide shipments from the Glencore -controlled Katanga Mining operations in the Democratic Republic of the Congo reverberated around the downstream sulfate market this week. One major producer doubted a resumption of exports would have an immediate impact on sulfate prices , expecting the impact would not be realized until July.

A smaller producer expected hydroxide shipments to China would increase due to Katanga exports restarting, and sulfate prices would begin to head lower as a result.

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Limited impact seen from resumption of Katanga's DRC cobalt exports after 5 months

The restart of cobalt hydroxide exports by Katanga Mining from the Democratic Republic of Congo this week after a five-month suspension was expected to have a limited impact on global cobalt prices, market sources in Asia told S&P Global Platts Tuesday.

The sale and export of cobalt meeting DRC and international standards on uranium levels was restarted with immediate effect on Monday, Katanga Mining said on its website.

Shipments from its subsidiary Kamoto Copper Company were halted last November because of uranium levels in intermediate cobalt products exceeding the tolerance limit allowed for export .

KCC has subsequently produced 930 mt of intermediate cobalt product since January that complies with regulatory standards, or 22.5% of its total production , Katanga said.

Asian traders said Katanga's major export destination was China . A spokesman for Glencore , which manages Katanga operations, declined to comment on the destination.

The traders in Asia said they were not expecting the resumption of exports to result in a major increase in shipments to China as spot demand there has been limited recently.

"Katanga is continuing production , and supply as a whole has not decreased," said one source close to a cobalt miner. "The market's concern is supply in three-five years' time, when electric vehicle demand takes off. As long as supply capacity is there, no market impact."

Katanga produced 11,100 mt of cobalt contained in concentrate and hydroxide in 2018, according to Glencore . Mining was continuing at KCC and it was stockpiling its output, Glencore added.

Separately, Katanga, KCC and DRC state-owned miner Gécamines have been co-operating with the DRC's Ministry of Mines and the Congolese Atomic Energy Agency (CGEA) on developing a long-term technical solution to minimizing uranium in intermediate cobalt product by using an ion exchange plant they plan to construct.

Adam Webb, head of mine economics at S&P Global Market Intelligence, said Katanga Mining stated a capital cost of approximately $25 million to construct the ion-exchange system at Kamoto in November last year. This is due to be commissioned in Q4 2019 with 'interim operational solutions' allowing for limited cobalt production until the ion-exchange system is available.

"We estimate that this commitment will make up about 8% of total capital costs at Kamoto in 2019 and with annual revenue from cobalt at Kamoto expected to be over U$2 billion from 2020 onwards this seems a very reasonable capital commitment to maximize an important revenue stream for this operation," he said.

KCC is continuing production using an interim operational solution, and CGEA and mining authorities will continue to monitor its exports to ensure compliance with DRC standards, Katanga said.

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