

Liontown delivers foundation for new mine

LIONTOWN Resources' prefeasibility study shows its still-growing Kathleen Valley deposit, near Leinster in Western Australia, should emerge as a robust open-pit lithium mine, based around just-announced maiden reserves.



Liontown drilling at Kathleen Valley, near Leinster in WA

Exploration / Development > Feasibility

The reserves, 50.4 million tonnes grading 1.2% lithium for 603,600t, are within July's resource estimate of 74.9Mt at 1.3% and 140 parts per million tantalum, but the company is confident it will add more tonnes given recent drilling 400m to the north have delivered some of the best results to date.

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The PFS outlined a A\$240 million, 2Mtpa development with steady state production estimated at 295,000tpa over a 26-year mine life.

With an internal rate of return of just 25%, payback would be four years.

Recoveries, which have offered difficulties at other WA mines, are estimated at 76%, down 3% from the scoping study, however the final concentrate grade has increased from 5.6% to 6.1%.

At that level, Liontown expects to fetch an average US\$701/t for the life-of-mine compared with operating costs of \$406 per tonne

Life-of-mine free cashflow is expected to be A\$1.9 billion, with the post-tax net present value estimated at \$507 million.

For contrast, Pilbara Minerals' 2016 Pilgangoora PFS outlined a \$184 million, 2Mtpa project producing 330,000tpa spodumene concentrate and 274,000lpa of tantalite, with an NPV of \$407 million, IRR of 44%, and two-year payback with an assumed life-of-mine average spodumene price of US\$456/t.

Liontown was confident it would be "the first of a new-generation of Australian hard rock lithium projects, timed to benefit from the next wave of lithium demand".

It will now use the PFS, and the results of ongoing drilling to upgrade its 25-50Mt grading 1.2-1.5% exploration target, as the foundation for its definitive feasibility study.

The DFS will also consider the potential of underground operations during the early years, accessing the higher-grade Mount Mann pegmatites; reducing costs and increasing the mining rate.

The DFS will also consider installation of a tantalum recovery circuit that could substantially improve the project's economics.

While lithium demand has been subdued, and prices low, forecasters are almost unanimous the lithium space is suffering growing pains, but that should change by 2023.

Shares in Liontown were off 10% today to 8.5c, about half its July peak but well above its 52-week low of 1.9c at the start of the year, with the company worth \$143.6 million this morning. It has \$15 million cash to fund its plans.



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