US markets provide charge for Piedmont

Fresh from a successful debut offering in its country of focus, Piedmont Lithium Ltd will spend the next six months weighing up the optimal business strategy for its US-based production ambitions.

Piedmont pocketed almost $30 million from two concurrent capital raisings last month – including its first public offering to US investors since listing on the NASDAQ two years ago – having only a few weeks earlier outlined the economics for two potential lithium production streams out of North Carolina.

The company's maiden offering to the world's biggest capital market yielded $US13 million ($16.2 million) including an extra $US1.7 million on top of its initial target due to strong demand from the new suite of investors.

Existing shareholders, primarily from Australia and Hong Kong, also pulled together $10.8 million via a private placement which remains subject to approval at a general meeting scheduled for later this month.

Proceeds from both raisings will ensure Piedmont has more than enough funds in the bank to finalise a DFS and obtain the necessary permits for its namesake lithium project in the Kings Mountain area before making a final investment decision in mid-2021.

Despite the volatility in the global financial markets due the COVID-19 pandemic, Piedmont chief executive Keith Phillips said it was the ideal time to tap US investors for support.

"The US is the biggest capital market in the world, but there's only one other [lithium] developer listed in the US – Lithium Americas [Corp] – and there are 50-60 lithium entities listed in Australia, so given that we're American and our project is American and we're listed here, we thought it was important to raise money here," Phillips told **Paydirt**.

"The deal was priced at a discount, which happens typically in new financings…but I think it's really listed at a 50% premium to where our stock was just three months ago.

"I certainly did not expect the broader markets to recover the way they have so quickly. I knew it would happen eventually, but I didn't think it would happen in 10 weeks. So, we thought this was an opportunity to raise funds to drive some liquidity into the US, and we did that."

Phillips said many of the investors who supported either raising were strong believers in the growing electrification thematic, but did not necessarily understand lithium's role in that narrative.

Educating investors on some of the raw material challenges emerging in the electric vehicle space will be a priority for the Piedmont team over the next 12 months, along with establishing the best path to production.

In late May the company published a PFS for a standalone lithium hydroxide chemical plant at Kings Mountain – referred to as the merchant project – which assumes conversion of market-purchased spodumene concentrate into battery-grade lithium hydroxide.

Concurrently the company also updated scoping study estimates for an integrated mine-to-hydroxide project incorporating results from the chemical plant PFS. Both studies indicated first-quartile production costs.

Phillips said the company was committed to developing both production streams and work had already begun to evaluate which option should be executed first.

"I think by the end of the year we'll have visibility on what we do first," he said.

"We think the company has real optionality because we certainly are committed to our integrated strategy, without question. Now we have to evaluate do we build the entire integrated project, starting next year, or might we build a chemical plant first, get it up and running and then once it's cash flowing, build a mine and concentrator and use that material to displace the purchased raw material from others.

"The world is going to need a lot of lithium hydroxide and we believe people are going to want to get as much of that as they can from sources outside of China. China is the big gorilla in the business, with around 75% market share right now. China will always be a leader in this respect, but anyone who can produce hydroxide outside of China will be a favoured supplier, I believe, so we think we're in a unique position for that."

Piedmont vice-president of project management Patrick Brindle said one of the biggest – but possibly the least well-known – advantages of the company's proposed development was its location.

Forbes magazine has rated North Carolina as the No.1 state in the US in which to do business for the past three years. Underpinning that ranking is an established lithium chemicals processing industry dating back more than six decades.

"Perth is catching up, but we've been producing lithium chemicals in our area for the last 60 years and there are a lot of folks here, both actively employed and retired, who understand what we're trying to achieve," Brindle said.

"For folks outside the US, they maybe have an impression that it's a difficult regulatory environment and an expensive jurisdiction and I think there are places – the west coast, New York, for example – where maybe those assumptions are true because you're trying to develop a project on federal land.

"But, I think in the south-east, on private land and with state governments who want to see advanced manufacturing businesses come to their states, it's completely the opposite."

– Michael Washbourne

Piedmont Lithium study outcomes

	Merchant	Integrated
Hydroxide production	22,720 tpa	22,720 tpa
Spodumene production	N/A	160,000 tpa
Hydroxide average cost	$US6,689/t	$US3,712/t
Spodumene average cost	$US651/t	$US201/t
Mine/concentrator capex	N/A	$US168 million
Chemical plant capex	$US377 million	$US377 million
Annual EBITDA	$US149 million	$US218 million
NPV	$US714 million	$US1.07 billion
IRR	26%	26%

*Based on long-term LiOH price of $US12,910/t, project life of 25 years