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Sayona Mining positions itself in EV drive key to Quebec's post-pandemic future



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ASX-listed Sayona Mining Ltd.'s planned acquisition of troubled producer North American Lithium Inc. will halve its own Authier project's development time and help Quebec, which is going "hard and fast" in building an end-to-end electric vehicle battery supply chain to accelerate its post-pandemic recovery, Managing Director Brett Lynch said in an interview.

On April 16, Sayona welcomed Quebec's declaration of mining as an essential service as Province Premier François Legault mapped out support for battery materials as key to a rapid economic recovery.

The move was made in the belief that Quebec has a strategic advantage given its existing infrastructure, skilled labor force, and economical and sustainable hydroelectric power. Another factor is its proximity to North

America's battery market, given the push by the U.S. to reduce dependence on China for critical minerals that are vital to defense and EV technologies.

Sayona expects a trend of automakers localizing lithium-ion battery manufacturing to their EV assembly plants to accelerate amid the logistical slowdown caused by COVID-19 and noted that U.S. automaker General Motors Co. recently outlined plans to source lithium and nickel from North America for a new range of EVs.

Hard and fast

While Western Australia is looking to build its own EV supply chain hub, Lynch said Quebec sits with Australia in dominating hard-rock lithium deposits globally.

Lynch believes that Quebec has the edge as it is "more hands on," driving industry development "hard and fast, with very clear policies of exploiting the maximum value add from its unique resource."

In its March 10 budget, Quebec's government earmarked funds to battle climate change, including C\$27.0 million over five years for innovation related to EVs and C\$18.0 million over five years for the recycling industry, plus C\$1.4 billion for a program encouraging EV purchases.

Quebec has backed a number of battery raw material projects, particularly lithium and graphite, making these competitive with other resources, and Canada's lack of supply chain to consume what the projects produce is a challenge to overcome, Benchmark Mineral Intelligence lithium analyst Andrew Miller said in an email.

However, Miller said a program that Canada's federal government started in 2019 to make a more unified strategy to build out the whole supply chain will incentivize the development of new projects along with more actual anode, cathode and battery production in North America.



**Sayona Mining
Managing
Director Brett Lynch.**

Source: Sayona Mining

Sarah Houde, president of Propulsion Quebec, an industry group focused on the EV supply chain sector, told S&P Global Market Intelligence that the unfolding COVID-19 crisis and its broader economic impact raise uncertainty over how, or whether, the budgeted plans will come to fruition.

Houde acknowledged that Quebec's latest budget included various programs supporting EV supply chains but said "everything is subject to change" due to the coronavirus. Houde also said that while the EV supply chain exists in Quebec, "it's still an emerging industry."

Eighty organizations are active in the supply chain for batteries in the province, according to Propulsion Quebec, and Houde sees further opportunity given the broader shift to EVs and some of Quebec's advantages, particularly its low-cost, low-carbon power.

Quebec does not have consumer carmakers, but it has manufacturers of buses and other vehicles that are typically purchased by governments, Houde said.

"We are really a big business-to-government or business-to-business market, not so much a business-to-consumer one, because we don't sell electric cars. We sell all other types of vehicles," Houde said, adding that purchasing such EVs can help governments achieve carbon reduction goals.

Investment upside

Quebec's budget included a C\$90 million investment in the strategic minerals sector including lithium, according to Sayona's release, which also noted an April 6 announcement by Legault about a C\$100 million program to train workers as part of his government's pandemic recovery efforts.

Lynch said Sayona would need Investissement Québec, the provincial government's investment arm, plus a globally capable strategic



Exploration drilling at Sayona Mining's Authier lithium project in Quebec.

Source: Sayona Mining

"problematic" geology, he said combining the company's Authier project with North American Lithium would offer "significant improvements" in plant performance and economics.

chemical processing partner to jointly develop a lithium hydroxide facility.

That opportunity would be facilitated by acquiring North American Lithium and its 180,000-tonne-per-year concentrator and workforce, which would save Sayona up to four years to build, commission and ramp up its own one.

While North American Lithium went into administration in 2019 after struggling with what Lynch described as