

Sayona Mining Picks Up Canadian Lithium Assets

Alan Kohler sits down with Brett Lynch, the CEO of Sayona Mining, for a look at their lithium operations in Canada and their recent acquisitions to feed the growing battery demand in North America.

By [Alan Kohler](#) · 6 Jul 2021



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Brett Lynch is the CEO of Sayona Mining Limited. Now, Sayona is a lithium business, it's got a little province in Quebec in Canada. It bought its original deposit there 5 years ago and then it bought another one a couple of years ago and now it's just bought a company called North American Lithium out of receivership in partnership with Piedmont Lithium and they're paying \$94 million for that and Brett told me that they had spent – this is after the interview – he told me that North American had spent \$400 million on the facilities there, so they'd dug an open pit, they've got a concentrator plant and a hearth-built refinery.

So they're picking up, he reckons, \$400 million worth of facilities – mine and plant – for \$94 million. So that's pretty good and they're about 18 months to two years off making cash flow. They've got \$40 million in the bank, the market cap is a bit over \$300 million and they're pretty closely linked now to Piedmont Lithium because Piedmont's got 20 per cent of Sayona and also owns 25 per cent of the Canadian assets.

So yeah, Piedmont's been having a very good run and so has Sayona. It's gone from less than a cent this time last year to 8.5 cents now.

They've got far too many shares on issue so even with a price of 8.5 cents they've got a market cap of \$300 million. So as to whether they're worth buying, a fair bit of the future is in the price it has to be said because the definitive feasibility study for Authier the first thing they bought, came up with \$216 million Canadian as a net present value which is about \$230 million

Australian so \$230 million as a net PV he reckons that the NPV will be double that when you add the other things onto it but there's a fair way off actually determining that.

So, look, as I say, a fair bit's in the price but it's very much an interesting prospect in lithium in North America which they're all trying to become self-sufficient in lithium for the motor industry there.

So here's Brett Lynch who is the CEO of Sayona Mining.

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Brett Lynch - Sayona Mining Ltd
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Brett we always start these interviews talking about cash and just

Right, we always start these interviews talking about cash and just wondering how much you've got in the bank at the moment?

Sure, Alan. Currently, we're sitting on about \$40 million dollars cash reserves.

What's your burn rate? I mean, just take us through how long that \$40 million will last given what you're doing?

Good question. We're at \$40 million, we're burning at about \$1.5 million on average, dependent on activities, per month. That's a good position for us at our stage, which is a developing miner, to be in. Inevitably though, as we're yet to be in production and generating revenue, we will need to raise further cash, we'll need to do that to complete this recent acquisition of North American lithium and we also have quite a significant exploration program both in Quebec, in Canada, where we have lithium prospects that we're looking to develop and expand; and also in Australia we've got a portfolio of gold assets in the Pilbara and we're embarking on further exploration and development of those projects.

Can you just take us through your relationship with Piedmont, they own 20 per cent of your company, right? And also, 25 per cent of your Canadian prospects. But with their 20 per cent of Sayona, do you know what their intention is, just to sit on 20 per cent or creep higher...? And then what will they do when you go to raise some more cash?

Piedmont joined with us late last year and they've got a similar strategic direction as Sayona and I think that's why the deal came together pretty quickly and seamlessly. They're, again, a developing lithium producer based in North Carolina and their target is to be able to be a leading supplier within North America for that battery market that's accelerating at great rates in the US. Similar to us, our goal is to be a leading producer, albeit in Quebec, supplying from a very large resource base there, the North American EV manufacturers. Directionally, we're quite aligned and in terms of their stake, they took 19.9 per cent in Sayona Australia, an ASX-listed company.

Their intent is to maintain that position and in addition to that, they took 25 per cent of our assets in Quebec at the project level – there's two prospects that we're developing, one called Tansim, one called Authier. I hope that goes into commissioning and production in the next years, but also this third project which is North American Lithium, which is not just a mine but has

production facilities already being in production there. They've taken a 25 per cent stake in that asset portfolio as well, Alan.

That \$40 million you've got in the bank, is that actually Piedmont's money? To get that 20 per cent and 25 per cent, those stakes, did they pay you new cash for those things?

Correct, yeah it was about \$US12 million that they paid, so some of that \$40 million is made up of Piedmont's investment funds.

Can you see a time when the two companies, Sayona and Piedmont, come together, become one company?

Given our direction is aligned, then that's a possibility. But at the moment, I think it's fair to say from ours and Piedmont's perspective, we've got enough on our plate to be very focused on developing each of our own strategic plans. Like I said, we're very much centred around Quebec and building a very large footprint on spodumene, which is a hard rock form of lithium – which is few and far between in North America and Quebec has the largest resources in North America of that form of lithium. We, within Quebec now with our three prospects, have the largest resource base now in Quebec.

We've got a lot of work to do there, a lot of development, because it's a significant footprint, a significant increase in size for Sayona. We're focused on developing that, they're focused on developing their assets in North Carolina, similarly. I think that will keep us pretty busy together before we get fully integrated, if that ever comes to be.

You're actually putting together a province in Quebec there, as you mentioned, you've now got three projects. The original Authier Project, you bought in 2016, right? How did that come about?

Sayona's got a long history of developing mining and specifically lithium projects. We, in Western Australia, have lithium claims which we're exploring and developing as we speak and that, again, is hard rock spodumene deposits and we're very comfortable in our background in being able to develop and mine sustainably that form of lithium. The other big reserve in the world is in Quebec and not surprisingly why we went there and planted our flag in Quebec and are developing those quickly as well.

So you bought that Authier Project in 2016, you bought Tansim last year?

No, Tansim, we've been progressively adding to those claims, that goes back a few years as well. 2016, we acquired Authier and have done about \$35 million worth of drilling and exploration to date on that project. It's now completed full DFS, it's in now the last stages of environmental approvals in Quebec to hopefully early next year allow us to then proceed to mining permits. Tansim, we started developing now, maybe two to three years ago, and we continue to invest pretty heavily on the exploration phase. It's probably about two years behind Authier in terms of mine development, Alan.

And finally, there's the North American Lithium, NAL, business that you've bought with Piedmont out of receivership, correct?

Correct, it went into administration in late 2019, so over the last 18 months we've been working to develop a turnaround plan to see if we could get it back to profitability. That, at the bottom of it, we think is possible with effectively an integration of blending strategy between our nearby deposits, Authier and Tansim, we can resolve some of the productivity and grade issues that plagued them, we can do that relatively cheaply because it's been in administration. And we can do it very quickly, because compared to developing it on a greenfields level with the concentrator they have onsite allows us to do that maybe at half the cost, half the money.

They've got a concentrator onsite, have they?

Yes, it's a world-scale concentrator and by forming it basically as a hub to allow us to feed it with our three deposits, NAL, Authier and Tansim, we should be able to get that relatively quickly and cost effectively to a world scale capacity that we're going to need to supply this huge demand if North America, particularly the US, are now going to become self-sufficient in its lithium supply chain.

Can you just take us through what went wrong at North American Lithium? You're saying that your nearby projects, Authier and Tansim, will be able to overcome those problems. Can you just explain that a bit more clearly or a bit more in detail for us?

Sure, Alan. The root cause – and we studied that for a long time over the last 18 months to get really to the bottom of it and understand it, the problems they faced at NAL weren't the concentrator. It was predominantly around the

nature of the ore body. At NAL, it's a whole series of thin seam spodumene dikes and these are operationally difficult to extract with tight grade controls and we know that with our history of mining here in Australia. And so, we needed to develop a solution to that and one of the key opportunities was particularly Authier...

Did they build an open pit already or not?

Yes, all open pit.

And so, around the sides of the open pit, there's quite thin spodumene seams, is that right?

Yes, the seam is multiple thin seams that makes up its reserve. Between these thin seams is the host rock, it contains a lot of iron. What all the lithium miners in the world, including Australia, have generally found is that high iron contents through bringing that host rock into the feed grade at the mill is very problematic, very difficult to get it out at all and certainly economically.

That's what tripped them up, is it?

In a nutshell, yeah. If we really put it on one thing, that was their problem. The difference at Authier is we have one seam that is literally 20 metres thick, so we can extract that with very little iron content, we don't need to go anywhere near the high wall and the footwall where that high host rock iron concentrations are. Being able to blend that – I'd call it purer ore – and then high grade as such, some of the thicker seams at NAL, we have the flexibility to do that by being able to blend and blending is a very normal technique we do in iron ore mining in coal mining in Australia – not so much in Quebec. But just by being able to use the closeness of proximity and move our ore the 30 kilometres to process it with NAL gives us a much more stable, much cleaner feed grade, which is a completely different process.

You'll truck that ore over to the NAL plant, will you?

Correct, yeah that's right.

Have they got a refinery there as well?

Yes, the interesting thing for NAL is that its footprint has a significant ore body. It also has a world-scale concentrator, but then it has integrated into

that, the bones or the basics of a downstream refining plant.

What do you mean, by the bones, what does that mean?

There's still significant construction to complete that plant, it's never that plant, the refinery has not been...

Oh, it hasn't been built yet, right? It's only half-built?

Yeah, that's probably a good way to put it. It's halfway there.

But it's got all the approvals you need?

Correct, which again attracts us because just like we could double the speed at maybe half the cost at the concentrator and converting that now that we've got an Authier solution to the ore problem, that allows us to produce then a quality 6 per cent spodumene which is the feed you need to then be able to unlock the opportunity at the refinery level. Again, similar sort of dimensions, it could be at least half the price and half the speed of completing a greenfields refinery, which is part of our model. We intend to be a fully integrated hydroxide supplier in North America.

How much will it cost to finish the refinery?

There's still more feasibility studies to be done, but it's circa \$200-million-plus is what the work that's been done to date. But compared to new greenfield equivalents, they're sort of double that number at least. That's the range, anyway.

How much are you paying for NAL?

Our final cash bid in total was \$C 94 million.

And that was 75 per cent yours and 25 per cent Piedmont? Or was the \$94 million your 75 per cent?

No, it's split, you're right. \$94m in total, of which 75 per cent of that will be paid by Sayona and 25 per cent will be Piedmont.

That's all cash, is it?

Correct.

So you've still got to raise that then?

We've got some to raise, yeah. As I said before, to complete the NAL transaction we'll raise some money. Piedmont have all of theirs in their pocket but we'll need to do that to complete it.

Who does that money go to, the creditors of NAL?

Correct, yeah.

Okay, so suddenly you've got a concentrator and a half a refinery and an open pit there with thin seams in it?

That's right, we've got the opportunity to turn that around relatively quickly and at a low cost and hopefully the blending solution with Authier really solves that thin seam issue that has plagued NAL, so that's the turnaround plan, Alan, exactly it.

How far away is Tansim?

In terms of distance?

Yeah.

Authier to NAL, as the crow flies, is about 30 kilometres; Tansim's about 50 kilometres in a sort of triangle from there. They're all within trucking distance and that's where, potentially, the third spoke in the wheel comes between NAL's ore body, Tansim and Authier, which gives us a very large resource base, a very large mine life and in addition, allows us to take advantages of scale because we can up and increase production throughput with that sort of combined consolidated resource base. That's a unique and wonderful opportunity in this hub and spoke model.

The definitive feasibility study for Authier came up with \$C 216 million as the net present value, I think. Does that change with the addition of NAL, do you think?

Yes, significantly. The work we've done as part of our due diligence over the last 18 months with PWC in Montreal indicated that we could expect those sort of numbers to more than double, so that's why we got very interested in that acquisition. And it's because of these economies of scale and

throughput.

In order to get that doubled net present value, do you need to spend that \$200 million on the refinery?

No, that's just at the spodumene level, it doesn't include the next step which would be solving the 6 per cent spodumene issue, that's critical, that's at the spodumene level. That is where we think the standalone Authier case is doubled. Once we've got there, then it's about the next step downstream that

potentially would be even more attractive from an NPV perspective, I would expect. But we've got to do more work, we've got to take it one step at a time, Alan.

What's the timetable, how does it look? Is your plant to start selling concentrate to somebody else's refinery or are you going to wait until you finish the refinery yourself?

We'll do a series of steps and so, as part of the Piedmont investment that we've already got, an offtake agreement with Piedmont for 50 per cent of the output of that NAL concentrator, so that's in place and that runs for life of mine, that's a very large sale contract, we're very happy with that.

They've agreed to buy 50 per cent of the output of the concentrator, is that using Authier's ore, is it?

Authier plus NAL, yeah.

Right, so 50 per cent of the output is pre-sold to Piedmont?

Correct.

Right, okay. For the life of the mine, goodness me, that's 14 years or something.

When we consolidate the three mines, Authier standalone because assume we're running that at 3,000 tonne a day for its own concentrator, it drops to 1,000 tonne a day because we'll only blend, we expect, about 25 per cent in the ratios for Authier, so it drops to about 1,000 tonne a day. That gives it closer to a 30-year mine life at that production rate. Those advantages all come together and hence why the NPV starts to move exponentially up.

Are you selling it to Piedmont from the concentrator gate or do you have to truck it to them?

There's a rail, so it's envisaged it will be railed down to North Carolina.

Down to North Carolina...

Which is only about 1,800 kilometres.

What are you going to do with the other half?

Well, the way the lithium market's moving at the moment, I think at the moment we're seeing a few at the front door of off-takers around the world who are interested, particularly over the next few years where it's forecast to be in deficit in terms of supply. I think that will be a relatively straightforward solution for us, Alan. We're not too stressed about that right at the moment, we're sort of in the right place at the right time at the moment from a price of concentrate.

You might not have to build your own refinery, just keep selling the concentrate?

Well, no, we're committed to going downstream. There's a lot of reasons why in terms of a sustainable solution for lithium producers to have a fully integrated project and as close as you can together. That spodumene concentrate is only 6 per cent lithium, it's 94 per cent rock. Really, if you can avoid it, it doesn't make a lot of sense, certainly from a carbon footprint perspective, to be shipping that product around the world.

That's true.

But we have to in Australia because the production facilities of all these refineries are in China, so we've got to send it 10,000 kilometres up there. But in North America, we have the market, the US, at our doorstep, we have the resource base literally in Quebec, right next door, and we intend to do that downstream refining in Quebec again so as we have the lowest and most competitive – not just in terms of costs and transport costs, but in terms of carbon footprint, I think it's going to be very important for us to have that model going forward and the North American market allows us to do all those things in one area.

When do you think you'll start getting some cash flow in the door?

We have plans. As we highlighted just before, we'll need to complete the transaction and that'll happen relatively soon. Then, when we get to production which should be the end of 2022, early '23, Alan, is when we will be producing spodumene and producing EBITDA ourselves.

Okay, very good. That's very interesting, thanks very much for talking to us, Brett.

My pleasure.

That was Brett Lynch, the CEO of Sayona Mining.

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