



Resources Stocks Down Under

📖 *The intelligent investor is a realist, sells to optimists and buys from pessimists.* 📖

- Ben Graham (1894-1976), Author of 'The Intelligent Investor'

POWER MINERALS

A brine play the market (almost) forgot

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Stocks Down Under rating: ★★★★★

ASX: PNN
Market cap: A\$28.9M

52-week range: A\$0.33 / A\$0.98
Share price: A\$0.47

Just when you thought all the good lithium brine plays up in the Andes had been bid up to valuations in the billions, along comes Power Minerals, formerly Pepinnini Lithium, with its 239,000 tonnes of Lithium Carbonate Equivalent in the Argentine province of Salta. You can currently get that one for a lot less than A\$50m. And at that price you also get, among other interesting projects, a potentially valuable kaolin-halloysite project not far from Andromeda's on South Australia's Eyre Peninsula.

Share price chart



Source: Tradingview

Better with brines

If you ever get a choice between owning a hard rock lithium project or a brine project, other things being equal, it's best to go for the brines because of the much lower operating costs. Here, all that is required for a mine to be economic, so long as the grades are high enough, is to drill wells into the brine zones, pump the brine and let evaporation take its course.

The so-called 'Lithium Triangle' encompassing northwestern Argentina, northeastern Chile and southwestern Bolivia, has perhaps two-thirds of the world's lithium due to its favourable climate for evaporation of brines.

Unsurprisingly, the last decade or so has seen multiple companies stake out the dry lakebeds called 'salares', which cover the lithium-rich brines beneath. This part of the world was 'company making' for Orocobre, one of the precursor companies to Allkem (ASX: AKE), and other companies, such as Lake Resources (ASX: LKE), Galan Lithium (ASX: GLN) and Lithium Energy (ASX: LEL) hope to follow in its footsteps. Power Minerals is interesting to us right now because it's capitalised at a lot less than those players.

The Salta of the earth

The Argentine part of the Lithium Triangle is mostly encompassed by three provinces – Jujuy, Salta and Catamarca. Power Minerals' project is in Salta Province, encompassing five separate salares over 147 sq km. The undeveloped Rincon Lithium Project that Rio Tinto bought in December 2021 for US\$825m is nearby,

as is a large lithium complex owned by the Chinese major Ganfeng. The large Rio investment is telling you something – Argentina may have swung to the Left in 2019 but, with mineral resource policy more or less controlled by the provinces, sovereign risk doesn't really apply in Argentina so long as you invest in mining friendly provinces. Salta, so the Fraser Institute surveys inform us, ranks up there with US states like Wyoming and Montana in terms of investment attractiveness.

Power Minerals got to Salta in 2016 and now has a JORC 2012 resource estimate there of 239,000 tonnes Lithium Carbonate Equivalent. That, however, is only two of its salares - Salar de Pular and Salar de Rincon. Salares Incahuasi, Arizaro and Pocitos have yet to be sufficiently explored.

Before it got too far down the resource definition path the company experimented at laboratory scale with blending brines from its various salares in order to produce a concentrated blend high in lithium and low in sulphate and calcium impurities. By May 2022 it believed that it had the right blend, which would allow it to produce at higher grades and lower impurities than competing operations. Power Minerals is now talking about a resource estimate at Incahuasi and, potentially, its first scoping study for the Salta Projects in the not-too-distant future. In the current favourable environment for lithium, we think this progress will be well received, in particular if the June 2022 Memorandum of Understanding with China's Xiamen Xiangyu results in an offtake and funding package to get this project moving.

Andromeda Mark 2?

If lithium in Salta doesn't lift Power Minerals as we move towards 2023, possibly the company's Eyre Peninsula Kaolin-Halloysite Project can do the trick. Kaolin is what makes paper and porcelain glossy. The mineral also shows up in paint, rubber, cable insulation, specialty films and fertilisers. The world demand for kaolin is rising fast. What's rising even faster, however, is world demand for halloysite.

The reason chemists get excited about halloysite has to do with its 'tubular morphology'. All it's got is a couple of extra water molecules than kaolinite (kaolinite is $\text{Al}_2\text{Si}_2\text{O}_5(\text{OH})_4$, halloysite is $\text{Al}_2\text{Si}_2\text{O}_5(\text{OH})_4 \cdot 2\text{H}_2\text{O}$), but when those nanotubes form they leach out all the impurities you would ordinarily find in kaolin. That means for the very high-end ceramics you're going to want halloysite, but its uses go way beyond that. It shows up in the petroleum industry as a cracking catalyst. You can potentially use it for things like hydrogen storage, or carbon capture, or all sorts of nanotechnology applications. Importantly, it's much better for making High Purity Alumina than kaolin.

Roughly two years ago in Resources Stocks Down Under ([in September 2020](#)) we introduced you to halloysite because that's what Andromeda Metals (ASX: ADN) is going after with its Great White Kaolin Project on the Eyre Peninsula. It's the halloysite at Great White that allowed Andromeda to put a A\$613m pre-tax DFS valuation on Great White and still keep Andromeda's market capitalisation in the hundreds of millions.

Power Minerals has around 1,400 sq km of ground further down the western side of the Eyre Peninsula from Great White that is also highly prospective for halloysite and kaolin. The company started drilling at its project around the same time as the Great White DFS hit the streets in April 2022.

We think the next year, or so, has strong potential to see a re-rating of Power Minerals. There'll be ongoing drill results from the Eyre Peninsula and continued development work in Salta, and there may even be early work at the Santa Ines Copper-Gold Project, also in Salta, and a nickel project in South Australia's Musgrave Province. Most of all, there's an existing lithium brine resource with a potential path to development at a fraction of the cost you'd pay for in other companies. Four stars from us.

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