

Tawana digs in at Bald Hill

Former African-focused iron ore hopeful Tawana Resources NL will become Australia's newest lithium producer early next year.

Mining of the company's Bald Hill lithium-tantalum project will begin this month ahead of the planned first concentrate shipment in the March quarter.

Production only 14 months after the completion of due diligence drilling will cap a remarkable rebirth for Tawana, which saw its share price plummet to 0.2c/share in April 2016 when plans to develop the Mofe Creek iron ore project in Liberia were shelved.

Perseus Mining Ltd founder Mark Calderwood took the reins of the company in July 2016 and quickly vended Bald Hill into a revamped portfolio. Tawana's share price is now nudging 40c/share and excitement is building inside the soon-to-be producer's new Osborne Park headquarters.

"It's been tremendously quick," Calderwood told **Paydirt**.

"A year ago, we hadn't even started drilling. It's probably going to be one of the quickest development projects in West Australian history, from the start of drilling to production.

"It's nothing like [building] a gold project and it's not easy to fund like a gold project either. But, we've had good support from our shareholders and our off-take partners are quite eager to get product."

Tawana's move to its new larger office coincided with the appointments of several key personnel as construction activities ramp up at Bald Hill, about 50km south-east of Kambalda.

Among those new faces are Tony Dominkovich (EPC superintendent), Steve Zaninovich (project director), Rob Broad (project manager) and Darren Buchholz (operations manager).

Design of the lithium DMS circuit was about 80% complete at the time of print, with concrete and steel works well advanced and bulk earthworks nearing completion. Administration buildings were also in position, along with the communication towers.



Tawana will soon be producing lithium concentrate from Bald Hill

The preferred mining contractor was due to mobilise on site late last month.

Tawana will soon release an updated reserve for Bald Hill, having announced an upgraded resource of 18.9mt @ 1.18% lithium and 149 ppm tantalum last month, representing a 47% increase in contained lithium.

Bald Hill's current reserve stands at 4.3mt @ 1.18% lithium and 208 ppm tantalum.

"It's a healthy increase, which is fundamentally from only four-odd months of drilling," Calderwood said.

"The next step of course is to increase our reserves, which is what people are really looking for. We're infill drilling at the moment and we'll start doing some optimisation work soon to see what indicators we have to be able to increase the pit with a bit more engineering.

"It converts very well to reserves. The last bunch of indicated resources converted at 94% conversion rate, so I would expect a not dissimilar number. It just comes down to doing the work."

Tawana finds itself in the unusual position of not completing a DFS before achieving producer status. The company

is also funded through to first concentrate shipment, with the third and final prepayment from off-take partner Burwill Holdings Ltd received last month.

Burwill's full \$12.5 million prepayment is interest-free and is to be repaid from 15% of each lithium concentrate shipment until the debt is cleared, although Calderwood is anticipating further off-take deals with the Hong Kong-listed group.

"They want everything we can produce, they want more if we can produce more and there will be some news flow out on that soon," Calderwood said.

"The amount of inquiries we've had from other people has been quite impressive, but we've got the one off-take and we're happy with that at the moment."

According to the PFS released in July, Tawana will produce 150,000 tpa spodumene concentrate from the DMS circuit and 260,000 lpa tantalum pentoxide from the existing processing facility at Bald Hill.

Key economics from the study were IRR of 185%, payback within 12 months, NPV of \$150 million for the starter pit, operating cash flow of \$223 million, average EBITDA of \$83 million per annum, life-of-mine operating costs of \$508/t and an overall capex of just \$42 million.

"It's going to be a solid margin business," Calderwood said. "Shareholders should be looking forward to a dividend in the next few years, I would hope, given the payback on the project is so quick."

Calderwood, who co-authored a book on the history of WA pegmatites, said even he was surprised by the rapid emergence of lithium over the past 18 months.

"I'm a believer now," he said. "The fact countries like England, France and China have come out stipulating there will be no new diesel and petrol cars after certain dates has really sent a message that times are changing.

"A combination of the stick and the carrot will send us into electric cars over the next 20 years. It will take 20 years to get all the cars across to that, but certainly it's where we're headed."

– Michael Washbourne



Construction activities at Bald Hill are ramping up