FIS BATTERY METALS WEEKLY REPORT

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Lithium Salt and Spodumene Market:

- **FastMarket Lithium Hydroxide/Lithium Carbonate:** Our view is short-run **Neutral to Bullish**. Energy storage projects will enter a concentrated implementation phase in Q4, providing clear support for lithium carbonate demand. Nevertheless, the derivatives market remains capital-driven. Expectations of rising supply continue to weigh on prices, compounded by macro headwinds and risk-off sentiment across metals triggered by Fed rate hikes, leaving prices under downward pressure. Current bearish expectations are largely priced in, and a window for an oversold rebound is drawing near.
- **FastMarket Spodumene:** Our view is short-run **Neutral**. Lithium concentrate shipments from Zimbabwe and other overseas mines continue to rise, while traders' lithium ore inventories are building. Lithium salt plants show relatively muted purchasing demand, resulting in loose short-term ore supply. That said, current price levels are already low, which may gradually stimulate buying interest among downstream processors and bring marginal demand improvement.

Price Movement:

	12 Oct	5 Oct	Changes %	FIS Sentiment
FastMarket Lithium Hydroxide Monohydrate CIF China, Japan & Korea ($/kg)	16.00	16.50	-3.03%	Neutral to Bullish
FastMarket Lithium Carbonate Spot CIF China, Japan & Korea ($/kg)	16.10	16.85	-4.45%	Neutral to Bullish
Bloomberg Lithium Carbonate Spot China (yuan/ton)	119500	131500	-9.13%	Neutral to Bullish
FastMarket Cobalt 30% ($/lbs)	15.25	15.50	-1.61%	Neutral
FastMarket Spodumene min 6% Asia ($/ton)	1562	1695	-7.85%	Neutral

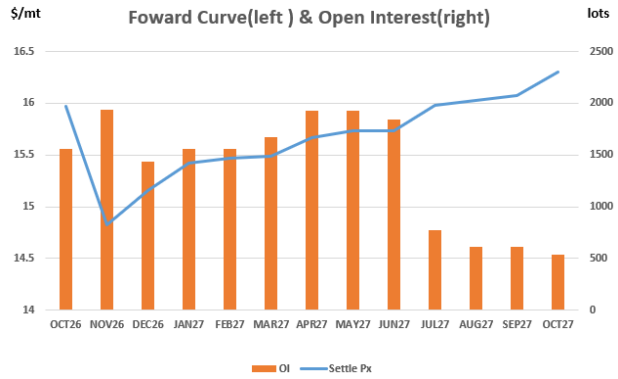
Commentary:

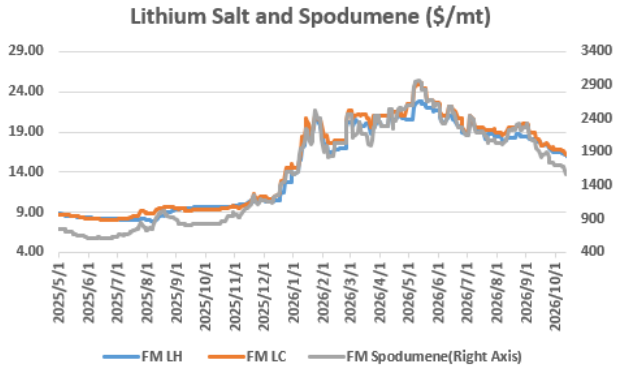
Lithium salt prices fell significantly this week and hit a fresh year-to-date low, although downside in the spot single-order market was limited, with firm battery demand continuing to provide floor support. With a sizeable inventory base in Q4, valuations already offer clear support. The supply-side ramp-up fell short of expectations, while demand from energy storage and LFP remained resilient. The derivatives basis rose to extreme levels, and once the market returns to rationality, lithium carbonate is expected to regain support.

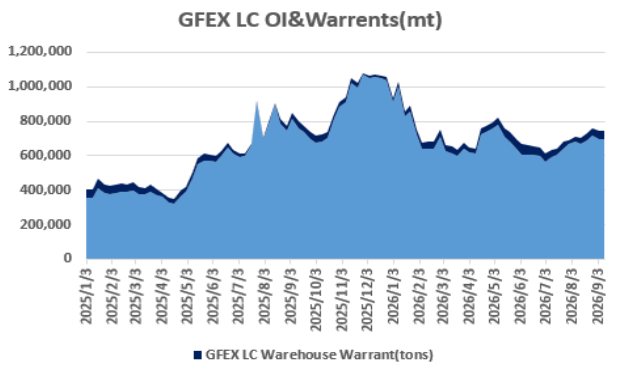
In October, China's domestic lithium carbonate production schedule is around 116,000 tonnes, up only about 1.1% MoM and 29% YoY, significantly below market expectations for a Q4 supply ramp-up. By feedstock, production from spodumene and salt lakes accounted for the main declines. Jiangxi mica supply is tight. Recycling operations and slag-based lithium extraction are constrained, with some producers shutting down in October. In addition, lithium salt plants purchasing lepidolite face inverted spot economics and show low operating appetite. Zimbabwe lithium concentrate arrivals are slow, and the African spodumene supply bottleneck constrains feedstock security for purchased-ore producers. In China, the Jianxiawo lithium mine's EIA application is progressing through public disclosure, with the restart process continuing. Overseas, Greenbushes cut its full-year output, while Core's restart shipments lagged expectations. Near-term supply disruption risk has declined, but the medium-term risk of a Zimbabwe lithium ore export ban remains.

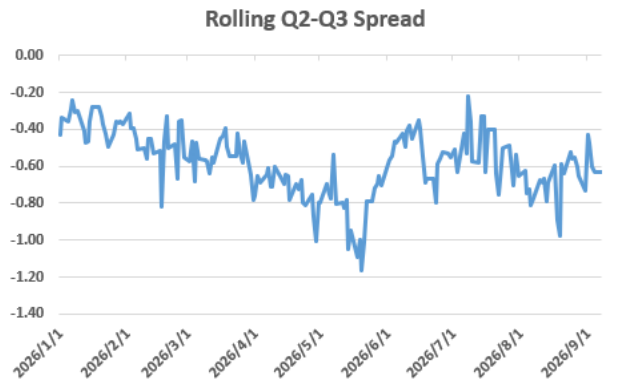
LFP and energy storage remain resilient. Power battery demand is in a wait-and-see mode following China's National Day holiday. Market rumours suggest CATL has cut production schedules by 10%, raising the risk that peak-season demand fails to materialise. Ternary materials remain under pressure from LFP substitution. Cobalt prices fell post-holiday, weakening cost support. Midstream lithium hexafluorophosphate, electrolyte and anode segments remain relatively firm. Separator supply is tight, while iron phosphate supply also remains tight. On the policy side, China's 15th Five-Year Plan for the New Battery Industry has been issued, while bearish factors include reduced export tax rebates for China's power batteries next year and potential European restrictions on Chinese EV exports.

Source: Bloomberg, Fastmarkets, FIS







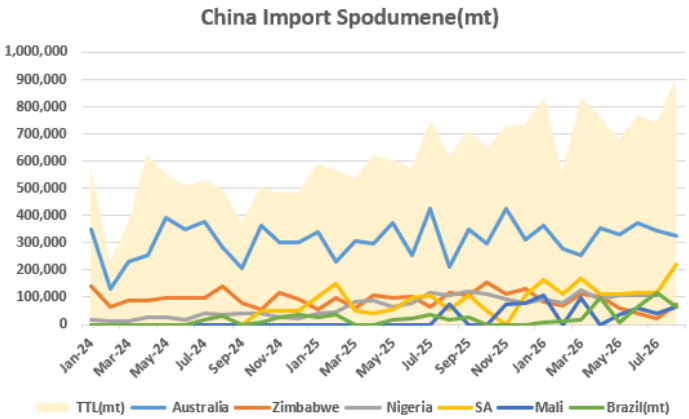


Lithium carbonate prices have now fallen below the cost line for lepidolite-based lithium production. Price pressure mainly stems from the US rate-hike shock since September, which lifted US Treasury yields and drew capital away from global assets. In addition, with attention shifting towards oil and chemicals, capital outflows from non-ferrous metals have been notable. The seesaw effect within the commodity complex has been particularly pronounced. Going forward, energy storage demand remains firm, and LFP projects across Chinese provinces are coming online at a rapid pace, not only in Q4 but throughout next year. GFEX warrant volumes have not expanded, and the lithium carbonate futures basis reached an extreme 8.89% this week, offering a nearly risk-free level to sell the basis. Once the market returns to rationality, lithium carbonate may regain support.

Trading in the CIF lithium salt market was lacklustre last week, with spot single-order prices falling sharply around the long holiday. In lithium hydroxide, bids were quoted at $13.7–15/kg, while offers rose to $17/kg, with sellers unwilling to sell at low prices. In lithium carbonate, both bids and offers clustered around $13.6–15/kg, approaching transaction levels. Spodumene attracted buying after the decline, with transaction prices falling from $1,720/tonne at the end of September to $1,504/tonne.

The cobalt market extended its weakness after the holiday, with broad-based catch-down declines across products. Cobalt salt producers mostly suspended quotations and negotiated on a case-by-case basis, with thin market activity. On the cost side, declines continued: cobalt intermediate CIF China quotes moved lower, raw material payables and MHP cobalt payables stood at historic lows, and cobalt sulphate spot costs approached break-even, weakening cost support. On the supply side, the DRC export quota policy remains in place. Actual exports by the end of June accounted for only two-thirds of approved quotas, with quota execution below expectations. If Q4 shipments are concentrated, supply will increase and create further pressure on prices. EVelution received US EB-5 approval to build a solar-powered cobalt refinery, targeting approximately 7,000 t/y of cobalt, enough at full capacity to supply about 40% of US cobalt demand. Panther Metals obtained membership in the US Defense Industrial Base Consortium (DIBC); its Ontario critical minerals portfolio involves zinc-silver-gold-copper tailings reprocessing and cobalt recycling.

Source: Bloomberg, Fastmarkets, FIS



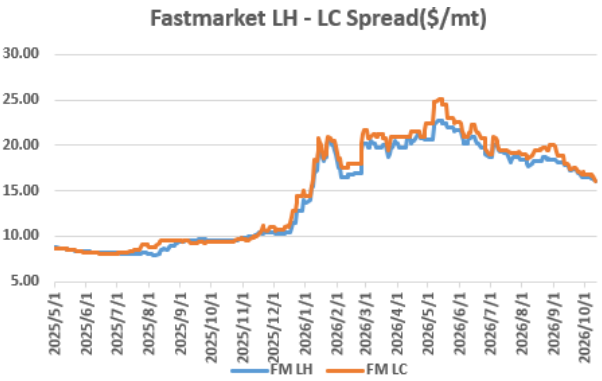


LFP was stable to firm during China's National Day holiday, supported by strong cell orders, low inventories and pre-holiday stocking that underpinned October orders. Leading capacity is near full utilisation, but output remains below order levels, with finished goods continuing to destock. Prices rose alongside lithium carbonate, with a stable-to-firm near-term bias. September LFP output increased by about 4.8% MoM, and October production schedules are expected to rise further MoM. Capacity is ramping up in Sichuan, Inner Mongolia, Hubei and other regions, though actual output at some producers fell short of expectations due to line commissioning, feedstock constraints and margin pressure. Iron phosphate supply remains tight, with processing fees firm, supporting LFP costs. Industry expansion continues: Hunan Yuneng's subsidiary received an EIA public notice for a 400,000-tonne LFP project in Guizhou. Tinci Materials' EIA documents for its 160,000-tonne project in Taizhou were accepted. Hubei Yihua plans to invest RMB1.152bn in a 150,000-tonne iron phosphate project. The first products rolled off Phase B of Fulin Precision and CATL's 350,000-tonne project.

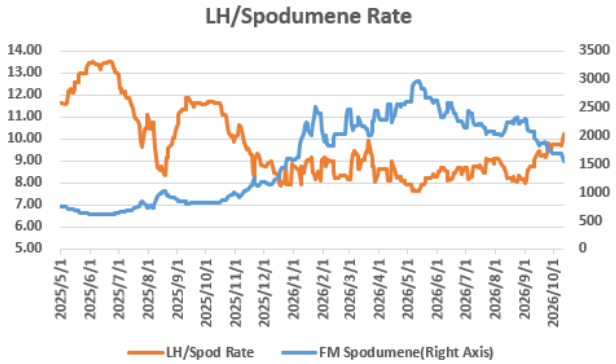
Ternary materials consolidated at low levels after the holiday. Nickel sulphate and cobalt sulphate extended their declines on weak downstream procurement, while lithium carbonate and lithium hydroxide traded in a low range. Raw material declines have been significant and have not yet stabilised; cell makers held ample inventories after the holiday and lacked large-scale restocking, leaving the market in a wait-and-see mode with cautious trading. Ternary materials are clearly being squeezed by LFP, with October production schedules declining MoM and September ternary power cell output down about 15% MoM. LCO and LMO production schedules are expected to decline MoM, with consumer electronics and conventional power demand remaining weak.

- In the short run, in our view, lithium salt is **Neutral to Bullish**. In the long run, lithium salt is **Neutral**.
- In the short run, in our view, spodumene is **Neutral**. In the long run, spodumene is **Neutral**.
- In the short run, in our view, the volatility is **Neutral to Bullish**.

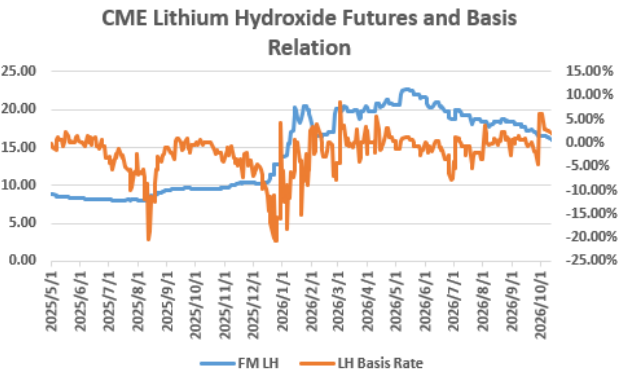
Source: Bloomberg, Fastmarkets, FIS



- The LH/LC spread strategy flagged -$0.25/kg in mid-September as a bearish opportunity. Await an exit opportunity as the spread declines to -$0.7/kg.



- The salt-to-spodumene ratio has rebounded sharply, driven by loose spodumene supply alongside firm near-term spot single-order demand for lithium salts.



- GFEX again saw an ultra-high 9% basis rate last week. If selling the basis, one can exit at a 2% basis rate.

Source: Bloomberg, Fastmarkets, FIS

Market News List:

- Xiangtan Economic and Technological Development Zone published the "Second Information Disclosure for Public Participation in the Environmental Impact Assessment of Hunan Yuneng New Energy Battery Materials Co., Ltd.'s 200,000 t/y Nano-Scale LFP Project."
- MIIT and six other departments issued the 15th Five-Year Plan for the New Battery Industry, specifying 19 key tasks.
- DRC Prime Minister Suminwa, speaking at the UN General Assembly, set out a new direction for the country's critical minerals development: fully promoting local deep processing of copper and cobalt resources.
- Tinci Materials (Taizhou) Co., Ltd. had its EIA documents officially accepted for a 160,000 t/y high-compaction LFP project and a 25,000 t/y LFP cathode material technical upgrade project.
- Argentina raised its lithium industry target, aiming for $10bn in lithium exports by 2031.
- Suzhou's 8,000 t/y high-purity lithium carbonate recycling and refining project received EIA approval.
- Xinhua reported that lithium prospecting in western Sichuan achieved another breakthrough, adding approximately 1.0468mn tonnes of LCE.
- Hubei Yihua Group's 600,000 t/y LFP project total investment was updated from RMB4.894bn in the first EIA disclosure earlier this year to RMB5.039bn in the draft for comments.
- Indonesia's President launched Chinese-funded mining downstream projects covering power batteries, nickel-cobalt materials, electrolytic aluminium, new energy construction machinery and commercial vehicle manufacturing.
- EVelution Energy's cobalt refinery in Yuma County, Arizona, is expected to produce approximately 7,000 t/y of contained cobalt once fully operational.
- Anson Resources plans for its Green River lithium project to produce 10,000 t/y of battery-grade lithium carbonate over a 20-year operating life.

Source: Bloomberg, Fastmarkets, FIS

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