

Rio Tinto PLC said a lithium deposit in Serbia will be a strategically important project for the global mining giant's minerals business, with executives expressing enthusiasm on the outlook for the commodity some call "white petroleum" for its use in lithium-ion batteries that power electric cars.

Lithium prices have surged this year on expectations of rising demand from companies such as Tesla Motors Inc., which is shaking up the auto industry with its battery-operated cars. That has sparked a race by explorers to fast-track drilling for lithium in places such as Australia, and caused share prices for some of those companies to rocket.

While several of Rio Tinto's large peers, including BHP Billiton Ltd., have said the market is still likely to be too small to pique their interest, the Anglo-Australian miner signaled it is eager to develop its Jadar lithium-borate project.

"The Jadar project is strategically important for Rio Tinto Minerals" and is shaping up to be "a very attractive investment in Rio Tinto's project portfolio," Dean Gehring, chief executive of Rio Tinto Minerals, said in a publication released by the company on Thursday.

Rio Tinto has shown early signs of switching gears while many of its peers continue to slim down during a broad commodities downturn, having announced major new investments to increase output of copper, an industrial metal, and bauxite, the raw material used to make aluminum.

In February, Rio Tinto said it would spend a further \$20 million on studies to examine the Jadar deposit, where it had invested \$70 million to-date and which Rio Tinto estimates could account for up to 20% of annual global lithium supplies if mined. An initial study aimed at building information on the deposit, located about 85 miles west of Belgrade, and working out whether it is financially viable is expected to be completed next year.

Lithium carbonate prices rose 47% in the first quarter of the year compared with the average price in 2015, according to data provider Benchmark Mineral Intelligence.

Goldman Sachs estimates lithium demand could triple by 2025.

Alan Davies, head of Rio Tinto's broader diamonds and minerals group, said the miner also projects high demand for lithium, which could become a new market for the company that relies heavily on iron ore for its profits. "The world will need a lot more lithium in the future for electric cars," he said.

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