Mineral Resources Ltd Proposed Acquisition of Atlas Iron Ltd Call - Final

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Presentation

OPERATOR: Thank you for standing by, and welcome to the Mineral Resources Acquisition of Atlas Iron Conference Call. (Operator Instructions)

I'd now like to hand the conference over to your first speaker today. Please go ahead.

CHRISTOPHER JAMES ELLISON, MD & DIRECTOR, MINERAL RESOURCES LIMITED: Thank you. Welcome, everyone. A little unexpected, we've got 151 online. Haven't you guys got anything more productive than it is, then listen to me. We wanted to give you a brief introduction to what we're doing with our recent announcement with the Atlas acquisition. We have been working with the guys at Atlas off and on for several months and looking at ways that we can try to maximize the value added on both the iron ore businesses that we have up in Pilbara. And it's been difficult up there, as you're all well aware, for a number of years. And then with the new introduction of the very separate pricing on what they term as high grade versus low grade, it's made life even more difficult. And like any commodity in the mining industry, the only ones that are going to survive is the ones that control the costs and we can be down near the bottom of the cost curve. Mineral Resources has a medium-term strategy on how to get there, and this is part of that. So we have reached an agreement with the directors of Atlas. And with the help of their advisers, they've been extremely cooperative, they've done a great job. They've been looking for the best outcome for their shareholders as has Mineral Resources. And we think that we've both found that we think we've got a really win-win situation here for both companies. We are both very similar in terms of our operations and the locations through the Pilbara and the final destination of the port, Hedland Port, but we've entered into an agreement with the Board of Atlas that we've made an offer for -- to buy all of the company on a scheme of arrangement, and we're offering 1 Mineral Resources share for each 571 Atlas shares. We've gone down the path of having a scheme of arrangement as opposed to an off-market bid because sitting in amongst the Atlas stock, there's 100 -- there is about, sorry, 32,000 retail investors and there's about 15,000 unmarketable parcels. So it's, obviously, important that we can achieve the right result with this. And we're going to have a lot of work on our hands with the unmarketable parcels and being able to try and make sure that we can get it all wrapped up properly.

So we have looked at the Atlas business over a number of years. We understand it very well. We understand the nature of the people they've got and we think that gluing these 2 together, I mean, it's just a great solution for both of them. And we think it's just going to add a lot of synergy to the long-term survival of both of those businesses. I think that for the Atlas shareholders, we are now going to give them surety and, look, there is no doubt that there's a lot of shareholders out there that have paid an awful lot more for their shares, but the one thing that they can take away from this is that they're going to end up with some shares that will be around for a long, long time and that those shares, those Mineral Resources shares are going to pay them a dividend every 6 months. Unfortunately, the business over the last couple of years -- it has been -- this is the Atlas business, it's been pretty well managed. They've got a very good team of people in there. They recently had Cliff Lawrenson join them. He's done a pretty amazing job in trying to do what he's done, but he's got no cash and no balance sheet. So we have got a balance sheet, and Mineral Resources have got cash, and we've got some reasonably good financial muscle.

So what are we going to do with the business? We're going to -- we're going to expand it. We want to grow the business quite quickly, and we want to make sure that we hang on to the workforce. The workforce is extremely important to us. Those people are like-minded with the Mineral Resources business, and it brings us to the reason why we actually bought the place, so we want their iron ore. They've got an excess of 1 billion tonnes of resources sitting around the Pilbara and various locations. They give us a lot of blending capability. The blending capability will increase the value of the current ore prices that we're getting. We're being able to reduce and get in -- within spec in most areas on the impurities. We want a port allocation and the port facilities in Port Hedland, and we've got a huge opportunity in there to be able to add this feedstock into our current stable because we need a lot of tonnes for this BOSS system, and this just enhances that even further.

We intend as soon as practically possible to start meeting with the Atlas people and making plans. We've got a good plan on what we want to achieve. We need to incorporate them into our business, and we need to integrate what we can do, joining these 2 businesses together. But it's our intention to very quickly get a run rate in the Pilbara up to -- between 18 million and 20 million tonnes per annum. And we are going to be basically port-constrained. So we're going to basically fill up Utah Point as much as we're possibly able to. Utah, generally, has a total capacity of somewhere around 25 million, 26 million tonnes. Atlas and Mineral Resources have the lion's share of that. Continents have got about 1 million to 1.5 million tonnes that they're trying to put through the port, and they've only recently started up. So on top of that, Mineral Resources currently putting iron ore through, as you know, and they're also putting through a fair amount of DSO, which will continue.

I suppose importantly for you guys if we're running at somewhere between 18 million and 20 million tonnes, the reason we bought this on the financial side is that we believe that we are going to very quickly remove $10 a tonne cost from our current operating costs with the combined businesses, so $180 million to $200 million worth of cost savings per annum that we think that we've identified and be achieved, and we'll be moving on getting that in place as quickly as we can.

That sort of a bit of pretty much most of the information, I think, that we can give you really at this stage. I mean, we -- we've only just said about putting the bid in motion. We're going to work through the process and see if we can actually achieve the result we want. Just a little bit of an update on a couple of other things while we're online.

Our Bulk Ore Shuttle System, the Pilbara infrastructure business, we're working on developing, which incorporates basically a bus, a light-rail system, a stockyard at the port and a capesize carrier berth in the Port Hedland inner harbor makes up the 50 million tonnes capacity that we're trying to put together. So we currently are a little bit behind where we anticipated being when I gave you the last update. We currently got -- we're aiming for full design lockdown by no later than the end of July. We're looking to have a trial track running in the August, September, October, November period and getting the test work complete by then. We have a commitment from the premier's office that analyzing that there will be a state agreement in motion and the department that is responsible for that. [JIPC] helped give us an undertaking they're going to have the state agreement complete by the end of November. Clearances and approvals should be all finalized by the end of this calendar year, and we'll be ready to start that 330-ish kilometer line about then. So that system combined at the moment our total cost out of Iron Valley and through -- from mine gate through to the bottom of the ship is costing us a roundabout $35 a tonne. And when we bring that system into play, we are hoping to get it to less than half that.

And then finally, the Wodgina DSO, we have had some inclement weather, we've had some mechanical issues and some port congestion. And we are clearly behind where we were planning to be on the last set of guidances that we gave you. So I think for the overall production for the year and tonnes shipped, it's going to be another 3 or 4 weeks before I get a clear picture on it. The April, May, June quarter, we are certainly going to have a much better time than we did in the third quarter of the financial year; January, February, March, that is. We are making up some lost ground, but overall we anticipate that we're probably going to be about 10% less than what we anticipated being in the last forecast. But look, I'll give you, hopefully, some more accurate color on that in early May.

So I think that's about as much as we've got to share with you at the moment, and we've got a lot of work ahead of us because we're also -- as you're aware, and for the benefit of the Atlas shareholders, we are building 750,000 tonnes of spodumene plant and 3 trains at Wodgina all running well. We're upgrading the Mt. Marion site so that we get up to an all-in 6%, 450,000 tonnes production capacity by end of October, early November. We'll be commissioning that through and that will simplify our plant then somewhat. And then we've got a range of other projects out there that we are working on to deal with bauxite and to deal with graphite in its natural sense in the Kimberly and also our synthetic graphite that we are working on vigorously through the Hazer system. So we have our hands full, but we are hopeful that we can get this transaction completed. I hope that this thing here is very, very -- let's say, its earnings accretive would be an understatement. And it's a great fit for Mineral Resources. And if we can add the people to our workforce, we get another valuable commodity.

So look, I'll turn it over to, I guess, if you've got any questions, please fire away.

Questions and Answers

OPERATOR: (Operator Instructions) Your first question comes from Hayden Bairstow from Macquarie.

HAYDEN BAIRSTOW, ANALYST, MACQUARIE RESEARCH: Chris, just a question, I guess, on the BOSS system. I am sort of reasonably familiar with the Atlas assets, and there's definitely clearly some blending, as you say, between Iron Valley and Mt. Webber based on the impurities. But is it now potentially a BOSS design where you could push down to Mt. Webber or Carina first as it's closer? Or is the distance is not that different when you actually get to mine, go to Iron Valley, so that it'll still be the base plan? And then are you able to provide any sort of guidance just around the cost of any move? You've made a pretty reasonable commitment to the whole project. You seem to understand the cost of BOSS. Is the stage 1 of BOSS to utilize Utah? Or would you look at building a new port berth in the Southwest crake and try to upscale the whole business in the sort of shorter term? Or is that more of a longer-term plan?

CHRISTOPHER JAMES ELLISON: Okay, Hayden, yes, look -- welcome. Thanks for that. Look, basically our plan is fixed on where we're taking the main line. That's never changed from day 1. That will be heading straight out into that Iron Valley region. There's not just Iron Valley out there. There is a range of ore bodies out there that are stranded. And there's a range of different products out there to be had. So there's enough out there to keep us busy at around 20 million tonne a year run rate. Spar lines coming off, a couple of 100ks out, are easily achieved. I mean to, if we're running just a single spar line and we've got to run at 60, 70ks, pretty simple to do with this system. So there will be spar lines getting added in. And look, the system stands up and does -- it's off the ground at a 20 million tonne run rate. It's never been our intention to put the full 50 million tonnes of Mineral Resources ore on it. I mean, if I could get away at just 20 million tonnes, I'd be more than happy. I want to put as many tonnes on that system as I can. But as third party, I want it to be a service that's available to all of the stranded deposits regardless who owns them, and we want to really continue to keep our mantle as a mining services provider, so we want to get paid first before the final part of the check goes to the profit. We want to be part of those costs asurety (inaudible) of collection of cash. So -- but, look, plenty of -- there's plenty of headroom in there. There's -- literally, there's billions of tonnes of stranded deposits up there and we think that this system is probably going to give us a 50-ish year type plan. And it's not every day that an organization gets the benefit from the government of being able to go and build a capesize carrier berth in the busiest bulk harbor in the world. So this is an amazingly great asset for Mineral Resources, and also has the added value downstream. But we would like to think that every time it goes on the line or go through our crusher, we would like to think would be running a camp would be providing the path and a range of those other site services that we like to provide. So if this system is the catalyst that makes that possible for us to negotiate those other projects, it's a huge value add for our business. And this system, we have -- we are working towards getting built. It's not specifically just for the Pilbara, that's just the first line. But this is going to be part of the -- our kit that we have in terms of services we can provide to the mining industry. We see a lot of application for it in coal and a range of bulk commodities right around the country and offshore. And look, it's highly likely we would be seeking offshore partners down the track to work with us to try and develop it overseas. So terms of cost to build this, we have a budget that sits somewhere between $1.4 billion and $1.5 billion. And with this type of asset, it's sort of -- it's at the top of the food chain and it's an asset that the whole range of businesses out there would like to provide funding for. We've got some pretty good offers available to us so far. And we've also got some offers where there's some into these out there that we'd love to take up some ownership. And they would be passive in terms of the play they would want us that probably had -- still retain the majority share, be the owner -- be the operator and that they would take a minor stake. But they're willing to pay quite a significant amount of money to participate in the ownership of it. So I hope, I covered all those questions, Hayden?

HAYDEN BAIRSTOW: Yes, I got it.

OPERATOR: Your next question comes from Paul Young from Deutsche Bank.

PAUL YOUNG, RESEARCH ANALYST, DEUTSCHE BANK AG, RESEARCH DIVISION: It's been pretty compelling synergies that are outlining. Just wondered if maybe you could start by just stepping through to everyone the port allocation by company and from looking at it if you're going to get 18 million to 20 million tonnes per annum on iron ore and you're going to be pushing through 5 million, 6 million tonnes of DSO, you've got spodumene obviously being exported as well together with manganese, it seems that we're pushing up against that sort of 25 million, 26 million tonne mark and maybe beyond. So I'm just wondering, curious about the current port allocation by company and just your whole view on, if you get your hands-on Atlas, just how can you run that port more efficiently?

CHRISTOPHER JAMES ELLISON: Simply. Paul, very simple on the port. The less uses, the more quantity you're using, the more efficient it becomes. So being able to bring in the right ships at the right product is a good start. Well, listen -- our demerge and our condition, there is actually us, Atlas and Con's MINs that have got allocation out there. And look, allocation is one thing, utilization is a completely different kettle of fish. The Con's MINs' business has only just recently started up again. They are working towards a ramp-up phase. Look, I'm not exactly sure where they're at or where they're going, but I think, I want to get somewhere between 1 million and 1.5 million tonnes. And aside from that, there's only us and Atlas out there. When the ports run efficiently, when I mean efficiently, I mean the port people out there are very efficient at running that port, Hedland Port. They do a great job. They have done a huge number of improvements, not just in Utah Point, but through the channel and the like since the management that's in place has been running it. But we've had that port running at -- in excess of 26 million tonnes per annum on a number of months over the last couple of years. But this comes down to having the right product in at the port and being efficient. So that's something that we're very good at. We'll be able to have a range of products in different areas. There's 2 stockpile areas. It's what they call stockyard 1, which is a bunch of beans -- bean-shaped. You dump the ore and they get stacked into a little kidney-shaped. Stockyard 2 is totally Atlas. Had that -- had Atlas had the right capital on day 1 to develop that stockyard 2 in its own right. With the right stacking and the bucket-wheel reclaimer is capable of plus 20 million tonnes per annum. And instead of loading [half] of that stockyard as they do at the moment and averaging around 3,500 tonnes an hour, if we put in the right mechanical handling equipment into that yard, it could get up to around between 6,000 and 6,500 tonnes an hour. We could probably end up around 30 million tonnes going out of Utah Point per annum. So all of those things are achievable. But look, if we're talking 18 million to 20 million tonnes of ore, 4 million to 5 million tonnes of DSO, 1 million to 1.5 million tonnes of manganese, you do the math. That's where we're at. That's before we really start working with the port and trying to put efficiencies and mechanical equipment in place. Secondly, look down the track, we will be switching almost entirely over to the Mineral Resources capesize carrier berth because when we go there, we're going to knock another $3 to $4 to $5 depending on where the ship is in U.S., a tonne of our transport costs into China. So we will be right down the very bottom of the cost curve on seaborne iron ore.

PAUL YOUNG: Yes, Chris. My second question is on that $10 a tonne of cost improvements. I presume that's port part, port part road haulage.

CHRISTOPHER JAMES ELLISON: Whole range of things, Paul, but I can't share them with you now. Because look, we're at the very front end of our bid with Atlas. We've got a lot of work to do to succeed. I thought I had a no-brainer on the gas deal, and here, I sit with no gas. So I'm not overly confident. At the moment, I'm feeling a little bit dejected. I need to win one.

PAUL YOUNG: Yes, yes. And then Chris, on -- if I look at the -- look at the Atlas Camp, so I guess, one of the big attractions is the tax losses of $508 million of tax losses. Are you able to -- have you got confirmation from the ATO that you can utilize those losses?

CHRISTOPHER JAMES ELLISON: Not even in our thought process. Look, we are after -- we want iron ore, we want people, we want port. We're not in the financial business.

PAUL YOUNG: Right, but surely, I mean, that's pretty valuable asset -- financial asset. So -- but have you had discussions with the ATO?

CHRISTOPHER JAMES ELLISON: No, no, no. Look, we've never yet got away with paying more than our fair share of tax. And I'm just not feeling like I'm going to in the future, Paul. I mean, look, this is -- the money here for us is getting those savings, $180 million to $200 million a year. We're going to get them over the next 3, 4, 5, 6 years and getting this port capacity and their people. And there's some other -- look, there's some other bits and pieces and that we haven't spoke about. The Altura have -- there's a 5% royalty that sits in there. But even in saying that, the relationship Mineral Resources and Altura and Pilbara Minerals have is quite outstanding. We've got a very positive cooperation agreement in place up there. We're going share the -- we're building an airport to share with Pilbara Minerals. We are going to share our gas pipeline into a power station long term with Pilbara Minerals. We're going to work with all 3 of them to get the product into town and store it in a long-term storage facility and outlay it. In fact, whatever we work together and say, we're going to say, look, it's -- look, this is not about the possibility. The real value for us is in the -- putting the 2 businesses together.

PAUL YOUNG: Yes, sure, I got it. And then just lastly for me, Chris. Just on the -- how do you think about the impact on adding 30 million, 40 million tonnes of additional iron ore to the market, particularly, Laredo? How do you think about the long-run impact on the -- or medium-run, maybe if long-run, the impact on the low-grade discounts and for us?

CHRISTOPHER JAMES ELLISON: Look, I mean, don't take this from me. I'm no expert on iron ore, but my feeling is that somewhere down the track over the next 12 months, I think the tide might slightly turn a little bit on the low grade versus high grade. I think that we'll see a little bit more value coming back into what we call the lower grade. It does have a place in the food chain in making steel. But it's only about the cost of getting it into China. So if we can get it in there at the right cost, we can sell it every day of the week. What was the other part of your question?

PAUL YOUNG: No, that was it. That was pretty much it. It's just to get the impact, your view on -- I don't know why and I'm not sure, well, how does this impact the economics of the project. I mean, obviously, you're using a long-run price and, obviously, it's not fixed, right? So this will have an impact on long-run discounts on low grade.

CHRISTOPHER JAMES ELLISON: Yes, not necessarily, Paul, because, look, at the moment, we're doing a run rate of 5 million tonnes out of the Yilgarn. We're probably running 6 million tonnes at north. Atlas is probably running 9 million, 10 million tonnes, somewhere around that. There's no big changes here coming. We are winding down on the Yilgarn, as you know. And we're going to be rationalizing what we're doing on top of it. Overall, the net effect of us glued together is not going to change too much. And these are clips down south here also. So they've got 10 million to 11 million tonnes going out of the market, now 5 million tonnes out of Carina. So there's 16 million tonnes going out of the market over the next 2, 3, 4 months. So the actual -- if you add up all of that and what us and Atlas are doing at the moment and the net effect of that is 20 million tonnes only. It's actually an overall reduction in the lower-grade exports going on. So no impact. In fact, on those numbers, Paul, I'm not even getting an increase.

OPERATOR: Your next question comes from Rahul Anand from Morgan Stanley.

RAHUL ANAND, EQUITY ANALYST, MORGAN STANLEY, RESEARCH DIVISION: First one related to just the operational cost savings. I understand that Atlas is using contractors at this point in time for their operations, trucking, et cetera. And you did flag the cost savings that you can achieve in the existing business. But just wanted to get an idea of how much you think you can save by switching operations to yourselves being the operators both on-site and then taking over the transport as the first pass before sort of the bus project comes in or blending opportunities become crystalized.

CHRISTOPHER JAMES ELLISON: Fair. I can -- look, first, I just think to say that, again, we've got a very definitive plan on exactly how we're going to achieve those cost savings. But I'm yet to sit down and talk to any of the Atlas contractors or people, and I can't do that until we know that we're going to have some form of success with this. So it's our intention that all of the contractors that are working out there will keep work with us. We're not going to be able to go out there and be all things to all men. But we think that, certainly, we have a model inside our business where we can get tonnes to the port at a cost and the way we do things on-site. I mean, if you have a look at our current costs, I mean, we are probably 150 cases further east of where Atlas get their ore from. Our strip ratio is high. We've got some issues out there by blending and mixing and bringing more tonnes from the Atlas operation. I think there's a lot of savings there. But look, I'm not necessarily going to terminate anyone. The tracking contractors are all very valuable to us, not just ours, but also the Atlas contractors. They've got a trucking company that's been doing a great job. Then they've done some work for us, so I don't anticipate losing any of them. I don't anticipate losing anybody as any of the employees either. We've got Wodgina site at the moment. We get up out here -- during the course of this calendar year at Wodgina, we get up to about 850 men in the permanent camp and another 250 in the fly camp. So we need 400-ish more people, maybe 500 more people going into our Wodgina site. So we also need more transport for holding the Wodgina's spodumene as does Pilbara Minerals, as does Altura. So there's a lot of work we're developing here in the Pilbara. We're trying to make sure that we get all of the timing right because we don't want to lose any of these contractors. We've got a lot of mining out there and a lot of digging. I mean, the pit that we're going to dig in Wodgina ends up to be significantly bigger than the Super Pit in Kalgoorlie to give you an idea. The pit in Wodgina, it's the largest hard rock lithium deposit in the world. And it's the #1 Tier 1 asset in lithium, lot of people talk about. It's much cheaper with bromine. If you get to understand, bromine, you do that first pumping, you start stripping it up. The next time, you regurgitate that stuff, it goes down and down and down in concentration. And it gets more costly to deal with. This stuff, we got at Wodgina, we've got more than 180 million tonnes of this stuff in the ground. So far, we've got drill rigs up there and we've got announcements to make coming forward. But of those 180 million tonnes, there's over 160 million tonnes that actually goes in the front end of their plant. The next biggest mine in the Pilbara has 67 million to 68 million tonnes in their pit that will actually go in their plant. So this is a big, big mining area for Mineral Resources, and this has got huge future. And we need all of those contractors. So -- well, I don't want to make too any comments. And look, I went into a lot of detail on that because if there's anyone out there that's listening in, if you connect to the contractors or the employees out there, we have worked for all of these long term. So please don't get nervous with us getting involved with Atlas.

RAHUL ANAND: Okay. And if we think about the BOSS project, I mean, Phase 1, we've talked about it before, between 25 million to 30 million tonnes per annum capacity. Just wanted to get an understanding of whether the project goes ahead at a certain amount being third-party tonnes? Or does it go ahead with the assets, as they stand in terms of production from the iron ore assets within the port?

CHRISTOPHER JAMES ELLISON: Now as I said earlier, the whole -- the system is going to be at 50 million tonnes per annum capacity operation. And it gets going at 20 million tonnes. We have the 20 million tonnes, it's a goer. I don't want to put too much more than 20 million tonnes of own tonnes on because that will start turning into being a mining company. I want to be a mining services group always. And we are out there looking for and talking to others about iron ore that they can put on this infrastructure asset. And look, there's a bunch of it out there. So it's not going to be hard for us to find out. But it goes ahead on the ore that we've got. And as usual, if we can get 3, 4, 5 years down the track and we've got good long-term customers on that infrastructure, we'll be looking to sell out of the iron ore that we've got eventually. But we will always want to maintain the life of mining services contracts to all of those sites.

RAHUL ANAND: Understood. Okay, and just finally, on the port allocation. I understand that you have most of the port allocation going forward. And I think Paul also asked about the incremental benefits you can have from increasing efficiencies. Just wanted to understand after having these incremental efficiencies, if you end up having spare port capacity, is it fair to assume that, that port capacity needs to go through the Port Authority and be reallocated to other people? Or would you be looking at sort of using that extra port capacity to do a similar sort of a deal like Atlas has done previously with Pilbara asset?

CHRISTOPHER JAMES ELLISON: Look, what we'll be doing is that we will be -- if we succeed on this, we'll be talking to the port, the Port Authority and Department of Transport. And we've already tried to brief them on where we're going with this. But we are iron ore and product ready. And there is no one else out there that we know of that has a site that they can bring online within the next 3 to 4 years. And we're not saying they won't, but we just don't see that. And we will be trying to maximize as much of that port capacity as the port allows. And generally speaking, the government that we have today, they really are behind anyone that's going to add value to WA. So the more tonnes we can export, the more jobs they create, the more royalties they collect. It just gets better and better. So we anticipate again that this is a situation that's really going to make the port extremely happy because they've got our balance sheet. We've got more surety on those tonnes turning up. And look, this management that's at the port has been very, very proactive in trying to encourage export tonnes through that port. So they bend over backwards to help us to get as many tonnes out as possible, I don't see that changing. But look, we don't have a CAP launch to any government facility. We go through the normal process everyone else does, but Mineral Resources has always been able to be a front-runner in being out there in terms of turning on the performance very quick. And we have got a very strong reputation of delivering. And we will deliver on what we're talking about here.

RAHUL ANAND: Okay. And just finally on the DSO in terms of the customer portfolio. How is the customer portfolio looking this quarter or rather by the end of this year? And do you have any incremental customers coming on for next year like you'd earlier planned?

CHRISTOPHER JAMES ELLISON: Look, the answer to that is that we currently have 3 more customers that we're talking to that want to come on during the course of this year. And there's a couple of them that have had some difficulty. So what happens with this DSO, just so everyone knows because it's really simple if you understand mining, complicated if you don't. So what happens is that some of the plants we're supplying to are plants that have been processing low -- low-grade Chinese-style lithium, like very low grade. So for each orebody, it's a little different. All the orebody in the Pilbara region is quite similar. But they have to have the right bits of kit inside their process plant to treat a specific orebody. That's even more prolific when you come to things like bauxite. So this is the norm. Pretty much most, almost all iron ore deposits. As many -- there's probably 40 of them operating in the Pilbara. Every single one of them are different, but the impurities they have -- see, you've got to be slightly different in the treatment. So some of these guys, for example, haven't had magnetic separation to pull the iron out because we all know that anything that's in the Pilbara has got a little touch of iron in it. And we've been helping them to achieve that. They're getting all those things in place. And saying that as well, we are moving the DSO because it was instant cash flow for us. And it brought in a fair amount of cash and it continues to do so, bonus. Secondly, we're building a plant out there that's going to consume 5 million tonnes a year of feed out of their pit. We'll turn that into 750,000 dry tonnes of spodumene. The current sale price for the April, May, June quarter on that had just gone up from USD 900 to about USD 963 per tonne. So 750,000 tonnes of those will be coming out of their plant in Wodgina at the end of March next year. We're currently trying to wrap up a study but where it's heading at the moment. It's looking very strong that we are almost certainly going to build a carbonate plant in Western Australia. We don't want to take it offshore. We think the most economic place to do it is in WA, with WA labor and getting the benefits here in WA. We're really focused on that. We're probably -- we were planning on a 50,000 tonnes-type plant. We think we can plan one of those for less than USD 4,000 a tonne cost. Currently, that product is selling, and depending on where you sell it, it's anything from USD 14,000 to USD 20,000 a tonne. So there's all like value add. And we're just making sure that we can maximize the value when we go down the track and make sure we keep as much money in our bank, but we're balancing that. We're trying to get some income to pay dividends and trying to manage the capital spend going forward. But look, certainly, at a point in time, I'd like to think that we've got at least 50,000 tonnes of carbonate on-site. And I anticipate sometime this year, giving the go-ahead on that. It could get to as much as 100,000 tonnes. It's certainly the capacity there. And I think that without doubt if you look forward over the next 50 years on all of the past storage requirements the world's got, I think that eventually they're going to be under that and not that far down the track on supply. So I hope that gives you a little bit of a color around that.

RAHUL ANAND: Okay, yes, it does.

OPERATOR: (Operator Instructions) Your next question comes from Jin Rui from United First Partners.

JIN RUI: Just wanted to understand the reason behind you guys making this an all-script offer as opposed to previously offering cash and script to holders of AWE?

CHRISTOPHER JAMES ELLISON: Sure. Look, I think that the vast majority of the owners of Atlas wanted to invest in the iron ore in the Pilbara. And we simply wanted to have the best chance of success on our bid. And we thought that if we offer them script, if they roll straight into our stock, they maintain exactly the same assets they invested in, and in fact, they'll have a balance sheet and that will make a margin of those tonnes. And we offered them the benefit of a range of other sources of income through lithium, through infrastructure, through our significant mining services. And we also own a track record of paying a dividend every 6 months. So we think it was the most attractive offer to make.

JIN RUI: And just on to the conditions -- primarily on Atlas losing its access to the Utah Point facility. Can you just understand what are the terms that are governing the right of access? And how confident are you in terms of what has been represented by Atlas with regards to the ongoing operation? And are you sure that they won't be able to lose -- or rather they'll retain access to the facility?

CHRISTOPHER JAMES ELLISON: Yes, look, I mean, as I said earlier, Atlas has got a lot of allocation up at the port. They've got both stockyard 1 and stockyard 2. They've got a couple of beans in stockyard 1 that is due to fall away. And look, rightfully so, the port and the government have got a policy that they try and implement for the fairness of everybody that says, use it or lose it. So if Atlas can put all of their tonnes through stockyard 2 and they don't need stockyard 1 and the port 1 to have that backfill, it's available for anyone else that if you can justify that you can use those tonnes and you will use them and you pay the port rather than sitting on them. The port had always made it very clear that they're to be had. So what we deal with the guys and the Port Authority as much as Atlas, if not more, we know them as well and we understand the requirements of that port, so we don't have any concerns at all around that. We and Atlas, we're probably the 2 main founding shareholders that started and got Utah off the ground. We've certainly been the long-term ones that have supported and kept that port alive. So we know it well. I mean, I was the one that led the fight for us to get a reduction in the port charges out there a few years ago. We're still getting those. We're still tend to hang on to them. And look, I think, the government appreciate that working with us on that level, we have been able to keep these operations alive and keep people employed. So...

OPERATOR: Your next question comes from Stuart McKinnon from the West Australian.

STUART MCKINNON: Look, I was just -- you mentioned earlier on about the number of smaller retail shareholders in Atlas. And there seems to be already on the face of it, a fair bit of opposition to your offer. I mean, how hard do you think it's going to be to sell this offer to them? And is there any sort of wiggle room for a sweetener at all?

CHRISTOPHER JAMES ELLISON: Hi, Stuart. Thanks. The sweetener is that we're interested in putting a bid in. If we take our bid off the table, we don't do anything over the next 12 months, but I would suggest that the business is currently sitting in palliative care. I think it has a finite life. That's my personal opinion. The management of Atlas are hamstringed by having 0 capital to spend, and they can't expand their operations. They're sitting there and they can only wind them down until they die. They can't get the maximum benefits out of their operations because they're hamstringed and they've always got half, got a gun to their head when they're negotiating. So my view of the business is that if we get one more hiccup in the price of low-grade iron ore, it will be the end of the business. And all those people that are whining and bitching about, I paid a lot of money for my script and I'm not getting much for it now. If they have a look and hang on to it until such time as there is no Atlas, then that might be a different picture for them. But look, this is our-- I think that the management of Atlas had worked very hard. They've extracted, i.e., what I consider, a very, very good offer out of us. I mean, we are 60-plus percent above the value of the shares. I mean, if we hadn't bid on the shares and we left them alone for the next couple of months, I suspect that they'd go down sub-0.1%. So you know, I mean, the sweetener is that we're there. And if they don't want us, then they're more than welcome to go it alone and ride this thing all the way to the grave.

STUART MCKINNON: Okay. Chris, just a follow-up. Do you see any natural sort of rival bidder for the business? Obviously with AWE, we are turning to a sort of a tripod, right, fight, if you like. Do you see any other maybe Chinese or anyone else maybe Todd coming in? Or you're fairly confident that you are the best natural fit for Atlas?

CHRISTOPHER JAMES ELLISON: No, look, I'm not on that. I think, certainly we're the best natural fit for them. But look, unless you are willing to invest in railway to be able to bring this stuff to the port and you've got to be willing to invest a significant amount or come up with some innovative like we have, then the assets would be totally useless to anyone. Because we -- we've got a medium-term ability to be able to move these tonnes and be able to make a profit, that's where the value is for Mineral Resources. But without that, that's why the business is dying because there is no natural fit for it. The iron ore mines that are out there now have got a bit of grade ore. And they've got a lot of Atlas' ore is in deposits that all of the others we consider uneconomic and stranded deposits. So it would be -- look, it would be difficult -- I mean, I don't know how anyone else would piece together what we have heard just that they fit with that business well.

OPERATOR: Your next question comes from Stuart Foster from Foster Stockbroking.

STUART FOSTER: Yes. Hi, Chris, Stuart here. Just wondering, on the announcement you talked about your alliance with Atlas and I just want to still get some clarity on that, is that sort of a port to enable you to fast track getting some deals using some of their equipment or putting the equipment and some of their assets now? And I presume that it applies to going forward from this point on rather than the existing assets that you're already developing?

CHRISTOPHER JAMES ELLISON: Hi, Stuart, look, thanks, welcome. Twofold, we started up an SPV, special vehicle, so that we can get some business on the move immediately. We've put some funding into that. But they've obviously, look, they've got a couple of little packages they're doing up there. They're doing a bit of supply chain management to Pilbara Minerals. And they've got a few tonnes coming out of the Horseshoe area. It's a bit of a manganese, it's not much, but they'll be putting a bit of that manganese in the hold of the occasion they've got, I think maximum 100,000 tonne, which is nothing. But the other side of the coin is, there's 2 or 3 other projects that fit very well around what both of their businesses are able to do. And we are looking at those very quickly to see if we can apply Mineral Resources balance sheet. We also have some surplus equipment, obviously, coming out of Carina. And we want to be able to see if we can work together and get a hold of the couple of those projects and make them work. And I think, look, highly likely we can. So that's part of it. The other part is that we want to start moving. We want to hit the ground running. So we want to be able to start putting some value into the operations, so we can make sure that we don't lose people or subcontractors and be up and running quickly.

OPERATOR: (Operator Instructions) Your next question comes from Alex Wallis from Maven Investment Partners.

ALEX WALLIS: Just wanted to follow up. You mentioned that you thought the stock would be 0.1% in a couple of months' time, implying basically that the equity would be worthless. Can you possibly give us any further reasoning behind why you've decided to bid now?

CHRISTOPHER JAMES ELLISON: Yes, sure. Because I think that for us -- I mean, we need the time. And why do I think it will be worthless? I think, look, they -- they are not making money, they are losing money. They are trading at a loss on a monthly basis. And look, I assume that the iron ore -- from my perspective, I don't see the iron ore doing anything different over the next 6 to 12 months. It'll continue to bounce around. But I think it's at a level and they can't make money at this level. So if they can't make money for the last 3 months, they're not going to make it for the next 9. And they owe certain amount of money to the bank. And I'm speaking here with information that's just simply available to the public. It's what I made up my mind on. And they just -- if they sit there and they continually lose money, they have to draw a line in the sand somewhere. They can't just keep running their bank account down and to lose no cash lid, but that's -- that's exactly what they are doing. And there is no options or opportunities to change that. They can't go out -- we can go out and spend $50 million or $60 million or $80 million so that we can go and make a lot of money. We can bring a lot of their equipments that we've got that's coming off other sites. And we can turn a mine site on in 3 or 4 months. We can go from 0 to 10 million tonnes production and literally in 12 weeks, no one -- not many can do that, we can.

ALEX WALLIS: Yes. Okay. And just a question on Wodgina development and mining and construction out there, you spoke a little bit about some of the infrastructure plans with the airport and the downstream. Is there anything more you can say on the current project timeline, just maybe a little bit more insight as to how mining and also construction developments coming on in the concentrator?

CHRISTOPHER JAMES ELLISON: Sure. Look, I've mentioned this before. I'm not sure it's overly clear. We're using this DSO program of shipping this direct ore into China as a combination of that and doing the pre-strip. So we are moving -- I mean, when we're mining that material, we're running at a strip ratio of somewhere around 10 to 12 to 1. So we're actually getting a lot of that cap off the top of their deposit for nothing. In fact, we're making a bottom line doing what we're doing. So that's a big part of their development out there. The -- basically the plant, as I've said, we are upgrading the camp. We're going to end up with about 850 men camp. We're putting a brand-new power station in. We're putting -- we're increasing the 4-inch gas pipeline 83ks of it from the coast up to a 10-inch line. We're going to be running a significant sized power station, more than 70 migs, when it's up and running, all gas-fired, low-cost operation. We're putting in a big crushing plant 3 trains with 250,000 tonnes capacity, dry tonnes of lithium. Come about November, we commissioned -- sorry, end of October, early November, we're commissioning train 1; about December, we'll be commissioning train 2; about March next year, train 3 will be online. So let's say, from April, May next year, all 3 trains will be up and running and will be into a steady-state production of 750,000 tonnes.

ALEX WALLIS: Okay. Great. And just my final question. I mean, given you've shown some cognizance of the premium in the share price potentially given you went shopping for AWE. And then, obviously, an all-script deal here and then board sells stocking at personal capacity recently. Does that mean that potentially you might continue to go shopping? And if so, is it, I mean, for example, still in the energy industry, where you've gone out and try to get something previously, we're just still looking at dealing that sector, if it was the right fit?

CHRISTOPHER JAMES ELLISON: No, it's probably not. Look, the reason we're doing this with Atlas is that we think that the stock is the most attractive for them. I would prefer to pay cash, to be honest. I'd rather not water down our shareholders. And it wouldn't be an issue to go and pay cash. Going forward, I prefer to pay cash. I mean, we don't like diluting our stock. I think you know that. And I don't really, really have any other companies out there that we're thinking about or lining up. And we're not on a rampage to go and do takeovers. I mean, our traditional business is that we organically grow our business or we find greenfield opportunities that we can buy for a dollar and get in and spend the money in developing. I mean, our business strategy is not changing. We've got at least 2 new ore bodies out there, different to what we have ever done before. And we will be developing and putting those 2 into production over the next 18 months. So that in conjunction with all of the work we're doing on lithium and infrastructure, again as I've said, that project through the Pilbara, that's a big, big infraction for us. It's probably our single-best asset. It is that Pilbara infrastructure BOSS port facility we're looking at building. I mean, that thing lasts longer than the rest of them. But we're looking to have within about 3 years from now, we're looking to be able to say, we've got iron ore, lithium, infrastructure mining services and we can map at least 3 of the 4 of those out for at least 20 years and probably 30 and beyond, where we can write a budget for them, that's the aim.

ALEX WALLIS: Yes, yes, sounds good. So I just -- I'm hogging the line a little bit here, but one more follow-up question thinking back to the first question I asked about the timing of the deal. Is there any reason why you wouldn't finish the BOSS system first and then do this deal? If you thought that the Atlas equity value would decay over time? Does that imply that this might bring some sort of critical mass that you need?

CHRISTOPHER JAMES ELLISON: No, I don't want -- look, the workforce in Atlas is important to us, although I don't want to leave it until such time as the workforce disappears. I don't want to lose the opportunity of having the combined entity working as it is now. I just want to take that. I think it's a much better equation for us to take the entity that's in operation now and be able to add the value that we can to that existing business and to be able to turn around and grow it. I think there's a lot of value on that. If I write another period of time, the whole thing may completely disappear or it may not. But it's nickels and dimes in comparison to what I can make out of buying it now and being able to change it and have it within 4, 5 months. We want that thing running at 18 million to 20 million tonnes going through Utah Point. That's where we want to be and that makes sense. So I mean, look, they are the numbers I've done. I know our business. I mean, this is the best time to do it.

OPERATOR: Your next question comes from Heath Andrews from Thorney Investments Limited.

HEATH ANDREWS: Chris, just one question, just on guidance. I guess lithium volumes are down a little bit, price is up. Just wondering if you're reiterating guidance? And also just, I guess, as a market sentiment that lithium pricing at some point in the near future will fall and we're seeing it still rise. Is it what's your view on lithium price in the short to medium term?

CHRISTOPHER JAMES ELLISON: Heath, cut short, I mean, we've all been around this a long time. And it's a commodity and it's a commodity that's growing in demand. No one knows what the demand looks like. But one thing we've been wrong on so far is that the amount of lithium that they need has been more than we all thought it was. There is no doubt that somewhere down the track the combustion engines are going to disappear off the roads. The power storage they're getting better at and it's becoming more economic. And somewhere down the track, we're going to be able to store power overnight and chop our power lines off of that front gate. I'm not quite sure when all that is, but if I look at all the lithium, it's available out there in the road, I think, look, it is possible. There could be a spike in the supply-demand but, I mean, how many times have we seen that iron ore, everyone is going to bring it online. They're all going to start producing it, and a lot of them don't get there. A lot of the environmental issues don't happen, a lot of them don't have the skill set to get the plants to operate. We've seen iron ore plants are taking 2 and 3 years to go from 0 to capacity. So it's hard to understand what's happening with that. If I heard about someone a year ago, what would the price of lithium be today, I guarantee it'd be a couple of hundred bucks less than what we're getting. And that price that we're getting that's -- that's a recipe that Mineral Resources made up from that marrying quite some time ago. I'm sure, you'll remember, Heath, when we did it, but we've made up a pricing structure there where we got transparency. What we do is we take the international and the Chinese lithium carbonate prices, we combine them and then we've got a formula that we bring that back to a spodumene price. And then that's on a sliding scale from 6% down below 4% that, that gives us today. When we look back, we done our price increase 1st of March looking backwards on the February results and it fell out at [9 63]. I mean, the demand is still unbelievably strong out there. It's strong for a DSO. We could go out and pay -- take on another 4, 5 or 6 customers if we wanted to, but we're trying to manage that with the building of our plant and the longevity of the supply to that plant, because if we give away DSO, we're giving away value. If we give away spodumene, we're giving away value but dead lifts (inaudible). If we make carbonate, we're really extracting almost all of the value. So the ones that make the most money, not the miners, but it's the guys that buy the product and then make carbonate, they go sell it, that's where the value ends. We want to get to that.

HEATH ANDREWS: Yes. And just in relation to the guidance, is that something you're reconfirming?

CHRISTOPHER JAMES ELLISON: No, I'm not giving any guidance today. I need to get a few more weeks down the track, look, what they've been through. We've had some mechanical failures. I mean, we've had some really awful weather running through Port Hedland with those lows and they keep bearing us with in-land tidal waves. We've had some congestion at the port and it's just been a real ship run. But things beyond our control, almost we had some mechanical issues out there. But this lithium, it is the toughest rock that we deal with anywhere in the world. And it's the most embracive. So it's beating up at our plant a little bit. They're making allowances to that with the big plant that we're putting in. But I can't give any guidance at the moment because I just don't have the numbers to make any common sense. But I wanted to flag that certainly, we'll be knocked around, I mean, each week, each month, we would be thinking that it's a one-off event, we'll get through it, but we've just had a series of them. So I at least wanted to flag today that we're going to come and list them what we would have liked to, but I'd let you just know in a few weeks' time once we settle.

OPERATOR: There are no further questions at this time. So I'll now hand back for closing remarks.

CHRISTOPHER JAMES ELLISON: Okay, well, look, thanks, everyone. I hope, we're informative. We will certainly keep you up-to-date as best we can, and we would be hopeful that we can succeed and hopefully we'll bring Atlas on board. But thanks for joining us today. And we will be in touch down the track. Thanks.

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