

# FINANCIAL REVIEW

Companies and Markets

## **MinRes seeks partners in \$3.6b project**

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Mineral Resources is looking for equity partners with deep pockets as it steps up development of its world-class Wodgina lithium project close to the Port Hedland export hub in Western Australia.

MinRes launched a minority sale process yesterday to coincide with a mineral resource and ore reserve update on Wodgina, which is billed as the world's biggest hard rock lithium deposit.

Analysts speculated that Wodgina was worth more than \$3.6 billion based on the update, the clear pathway to downstream processing and recent valuations for nearby lithium projects controlled by Pilbara Minerals and Altura.

MinRes said it was offering up to 49 per cent of the project as part of an offtake and partnering process.

The move adds to a flurry of merger and acquisition activity in the lithium sector. Galaxy is looking to sell a stake in its Sal de Vida project, Altura is in discussions over control with a major Chinese shareholder and Tawana is merging with Alliance.

MinRes said the sales process followed unsolicited approaches from lithium processors, battery manufacturers, international trading companies and car makers seeking offtake rights or a direct investment in the project.

MinRes has been mining direct-shipping ore at Wodgina for more than a year to provide cash flow while it pushes ahead with open pit pre-strip and constructs a concentrate plant designed to produce 750,000 dry tonnes a year of 6 per cent spodumene concentrate.

The ore reserve was upgraded by 20 per cent to 233 million tonnes at 1.21 per cent lithium oxide with MinRes also announcing an inaugural probable hard rock ore reserve in Casserite Pit of 142.4 million tonnes.

It said the reserve supported a mine life of almost 30 years at a production rate of 5.65 million tonnes a year.

A pre-feasibility study on the construction of a 50,000-100,000 tonnes-a-year lithium carbonate or hydroxide plant at Wodgina is being finalised and, subject to board approval, MinRes expects to start construction late this year at a huge cost.

Chinese company Tianqi is spending \$860 million on a 48,000 tonnes-a-year lithium hydroxide plant at Kwinana in WA and US-based Albemarle has flagged building a similar-sized facility about 150 kilometres further south at Kemerton. The two companies are partners in the Talison Lithium operations at Greenbushes.

MinRes managing director Chris Ellison said the minority sale process was in line with the company strategy of investing in early-stage projects and then seeking equity partners for full development. He said Wodgina was ideally positioned to become a globally significant producer of high-grade lithium products.

"The decision to embark on a process to sell a minority interest in Wodgina will allow MRL [MinRes] to focus on its core strategy of being a world-leading mining services provider at the same time as having like-minded strategic partners invest with us to fully unlock Wodgina's lithium potential," he said.

"However, MRL will only introduce project partners if acceptable terms can be secured. MRL has the capability to finance and implement its downstream processing strategy at Wodgina on its own."

MinRes plans to bring in a small number of strategic partners to acquire minority stakes via an unincorporated joint venture. Macquarie Capital and Gilbert + Tobin have been appointed to assist in the sale process.

MinRes expects to produce about 4 million tonnes of DSO from Wodgina in FY18 and 5.5 million tonnes in FY2019.

#### Key points

MinRes is offering up to 49pc of the project in an offtake and partnering process.

It says an upgrade to the ore resource supported a mine life of almost 30 years.

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