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HD Lithium lure sees Chinese lift stake
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Lithium play Neometals has sold another 18.1 per cent stake in its Mt Marion project near Kalgoorlie to Chinese group Ganfeng for \$US27.15 million (\$38.6m), paving the way for a special cash distribution to its shareholders.

Lithium lure sees Chinese lift stake

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Neometals said Ganfeng, China's second-largest lithium producer, had decided to exercise an option to lift its stake in Mt Marion to 43.1 per cent.

The deal will lift Neometals' cash position to almost \$70m, leaving the company with ample funding for its development plans.

"It's more cash than we need," Neometals managing director Chris Reed told The Australian, adding that the company was working with advisers to look at the best options for returning some of the cash to shareholders.

Neometals has been one of the big beneficiaries of the rising investor interest in lithium. Demand for the material is expected to surge as electric cars and home energy storage applications drive increased demand for lithium batteries.

Fellow Perth-listed mining and contracting company Mineral Resources owns a 30 per cent interest in Mt Marion and is overseeing the construction of the mine, which will come into production later this year.

Mr Reed said the sale to Ganfeng would also leave Neometals with enough cash to cover the planned construction of a downstream lithium hydroxide plant, which would allow for the upgrade of concentrate from Mt Marion into higher value material.

"The most important thing for us is it strengthens the balance sheet and means our downstream plans can be fully funded," he said.

The move by Ganfeng is another big endorsement of the project and follows its decision last week to expand a take-or-pay agreement over offtake from Mt Marion.

State One Stockbroking analyst David Brennan said the cash injection from Ganfeng would likely lead to a share buyback or special dividend.

"We believe that Ganfeng's decision ... illustrates the robustness of the project and its strategic importance to China's second largest lithium producer," he said in a note.

Neometals shares rose 9.4 per cent to 17.5c each yesterday. The stock was trading at just 3.2c a year ago.

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