

## MinRes exits Azure out of the blue – IFR News

**HONG KONG, Feb 23 (IFR)** - Australian mining operator Mineral Resources (MinRes) opted to take a profit on its stake in Azure Minerals ahead of the lithium miner's potential takeover by Sociedad Quimica y Minera de Chile and Hancock Prospecting.

MinRes, which focuses on iron ore and lithium, raised A\$229.1m (US\$150.2m) from the clean-up trade at a fixed price of A\$3.42 each, or a discount of 5.3% to Wednesday's closing price of A\$3.61. The deal comprised 67m shares, or 14.5% of outstanding, and was led by sole bookrunner JP Morgan.

The vendor decided on the block trade even though it came at a 7.6% discount to the takeover offer price of A\$3.70 a share.

In December, Azure accepted an improved takeover bid from SQM and Hancock Prospecting, the mining company owned by Australia's richest person, Gina Rinehart. A shareholder meeting will be held in mid-March to seek approval for the offer. If the deal fails, the joint bidders will launch an off-market takeover offer at A\$3.65 per Azure share.

An Australian ECM banker said the decision to sell the stake now reflects MinRes's need for liquidity, despite having more than A\$1bn of cash, as its debt is climbing. "The story there is that their balance sheet looks quite stretched ... iron ore and lithium prices have come off a bit."

The company had A\$1.4bn of cash on hand as of June 30 and more than A\$3.5bn of net debt compared to A\$1.9bn in the previous fiscal year.

The sale most likely underscores MinRes's view on the risk of the deal not being completed as well as its own cashflow needs, portfolio manager Ray David at Blackwattle Investment Partners said.

"The takeover has minimal conditions, ie, it's not contingent on due diligence or financing, [but the] Foreign Investment Review Board is still outstanding. While the chances of the FIRB blocking the deal are low, Mineral Resources did not want to be exposed to deal completion risk," he said.

The block was sold to institutional investors, and SQM and Hancock Prospecting did not participate, a person familiar with the matter said. MinRes and two of its subsidiaries, Lithium Resources Operations and Wodgina Lithium, were the vendors.

SQM Australia, wholly owned by SQM, is the largest shareholder in Azure with a 19.4% stake, while Hancock Prospecting holds 18.4%, according to LSEG data.

The company declined to comment on the share sale.

Shares in Azure dropped 3.6% on Thursday to A\$3.48. The stock skyrocketed more than 1,540% last year on news of the takeover bid and the potential of the company's flagship Andover lithium project. It holds 60% of the project, and Creasy Group the rest.

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