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Mt Holland lithium project – final investment decision

Wesfarmers Limited (ASX: WES) today announced the joint approval, together with Sociedad Quimica y Minera de Chile S.A. (SQM), of the final investment decision (FID) for the Mt Holland lithium project, and committed initial funding. Full funding will be committed upon receiving environmental approvals for the Kwinana refinery, which are anticipated in early FY2022.

Following a decision in January 2020 to defer the FID, Covalent Lithium, the joint venture company jointly owned by Wesfarmers and SQM, has completed an updated definitive feasibility study (UDFS) for the Mt Holland lithium project.

The UDFS has provided greater certainty regarding the project's engineering design and capital and operating costs as well as an increase in concentrator and refinery production capacity from 45,000 tonnes per annum to approximately 50,000 tonnes per annum of battery grade lithium hydroxide. The UDFS includes increased flexibility to provide for a second phase of the project to expand production capacity at Mt Holland and the Kwinana refinery. Preliminary work to evaluate expansion options will commence in parallel with the construction of the first phase of the project.

The necessary government and regulatory approvals have either been secured or are underway. Development of the integrated project remains subject to the Western Australian Environmental Protection Authority's assessment of the Kwinana refinery and the issuance of a Ministerial Statement to allow works to commence.

Following receipt of all relevant approvals, construction of the mine, concentrator and refinery are expected to commence in the first half of FY2022, with purchase of long lead time items commencing in late FY2021. The first production of lithium hydroxide is expected in the second half of the 2024 calendar year. Wesfarmers' share of capital expenditure for the development of the project is estimated at approximately \$950 million¹ and will be funded using existing cash and debt facilities.

Wesfarmers Managing Director Rob Scott said that the work completed by the Covalent Lithium team over the last 12 months had allowed the FID to be taken with increased engineering definition, providing increased confidence in scheduling and cost estimates.

"The development of the Mt Holland lithium project presents an attractive investment for Wesfarmers shareholders," Mr Scott said. "The project capitalises on our Chemicals, Energy and Fertilisers divisions' chemical processing expertise and Western Australia's unique position to support growing global demand for electric vehicle battery materials which will make a crucial contribution to global efforts to reduce greenhouse gas emissions. We have been pleased with progress of discussions with key battery manufacturers, which reflect a positive outlook for battery quality sustainably sourced lithium hydroxide."

¹ Real 2021 terms. Approximately USD 700 million.

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SQM Chief Executive Officer Ricardo Ramos said that SQM was pleased with the joint decision with Wesfarmers to take the FID on the Mt Holland project and with the continued collaboration between Wesfarmers and SQM.

“We remain confident regarding the outlook for the lithium market and believe that Mt Holland is a high-quality project that will play an important role supporting increased demand for electric vehicle batteries. We value the partnership that we have established with Wesfarmers and look forward to working together to develop this project,” Mr Ramos said.

For more information:

Media

Cathy Bolt
Media and External Affairs Manager
+61 8 9327 4423 or +61 417 813 804
CBolt@wesfarmers.com.au

Investors

Simon Edmonds
Investor Relations Manager
+61 8 9327 4438 or +61 409 417 710
SEdmonds@wesfarmers.com.au

This announcement was authorised to be given to the ASX by the Wesfarmers Limited Board.

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