

## MEDIA CLIPPING

Publication: The West Australian

Date: 19 May 2018

Circulation: 536,000 readers

# Hexagon squares away McIntosh development with MinRes

## SPINIFEX

Stuart McKinnon



Forty-nine per cent of something is better than 100 per cent of nothing.

That's the thinking behind shareholders of Hexagon Resources agreeing this week to surrender a majority stake in the company's McIntosh flake graphite project in the East Kimberley to Mineral Resources in exchange for getting it built.

But for the company's managing director Mike Rosenstreich, it's much more than that.

"It's not just about money, there's a de-risking aspect," he said. "MinRes has strong development, mining and operating expertise, a dynamic culture and love being in WA. The deal pro-

vides us with a clear path to production and a level of certainty at the project level without us having to blow-up our capital base with dilutive raisings."

Under the terms of the deal, Hexagon is effectively free carried into production with MinRes to undertake all feasibility studies within 18 months, make a decision to mine within two years and produce graphite concentrate within three.

And Mr Rosenstreich, a former geologist and merchant banker who previously headed Bass Metals, highlights MinRes' track record of getting things done. He cites the example of the Chris Ellison-led company's farm-in deal with Neometals over its Mt Marion lithium project near Kalgoorlie.

Neometals' retained 13.8 per cent stake in Mt Marion deli-

vered it a first-half profit of \$7.35 million in March and has allowed the company to return \$30 million to its shareholders via dividends and buybacks since 2016 when MinRes brought the project into production.

McIntosh, which is estimated to cost about \$150 million to develop based on a pre-feasibility study in May last year, is expected to produce about 88,000 tonnes of high-grade (96-98 per cent) graphite concentrate a year for an initial seven years.

The project hosts a resource of 21.3 million tonnes at 4.5 per cent total graphitic content but an exploration target of 110-220Mt at 2.5-5 per cent offers considerable scope to lift production and extend the mine life.

Research by Independent Investment Research released last month showed McIntosh

could generate annual pre-tax free cashflows of as much as \$90 million for Hexagon based on a graphite price of \$US2200/t.

But for Hexagon, producing high-grade concentrate is merely the first stage of its plans.

It is eyeing downstream processing options for its large flake, high purity product to target higher-value uses in the technology, energy and steel industries.

While China already dominates the market for graphite used for anode material in lithium-ion batteries with its fine to small flake size product, Mr Rosenstreich says the large-flake graphite found at McIntosh offers a unique selling opportunity. Hexagon shares closed at 21¢ yesterday for a market capitalisation of \$53 million.

IIR has placed a valuation of 93¢ on the stock.



Mike Rosenstreich