

Tianqi's Search for Lithium Sources Sends Chile's SQM Soaring

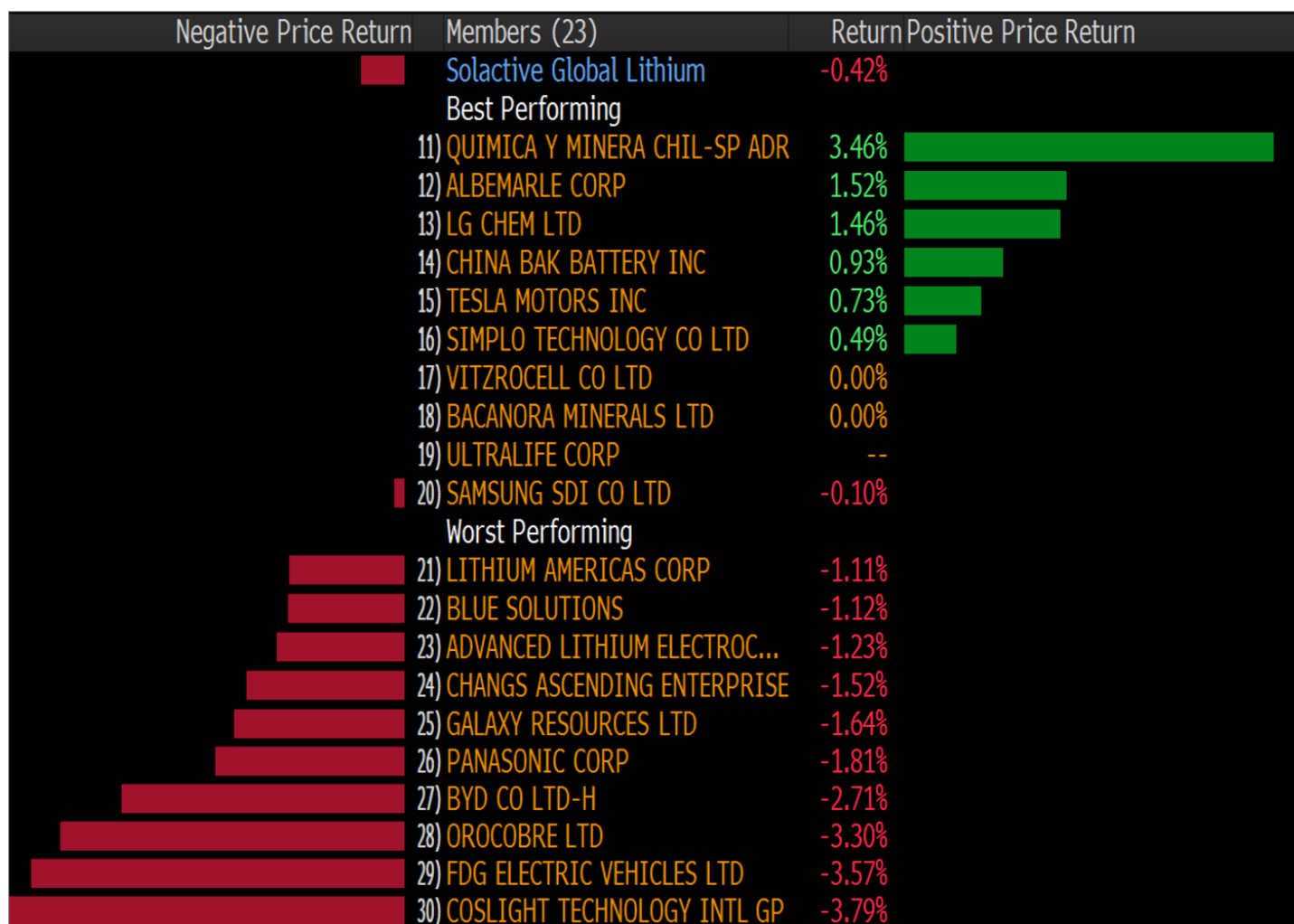
by **Eduardo Thomson**

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- Pinochet son-in-law announced plans to sell SQM holdco stake
- Company locked in dispute with government over mining license

Sociedad Quimica & Minera de Chile rose the most in more than three months today after China's Tianqi Lithium Industries Inc. said it had acquired a stake in the world's second-largest producer of lithium.

SQM shares advanced 3.8 percent to 17,260 pesos at 2:10 p.m. in Santiago, after jumping 6.1 percent, the most since June 6. The company's American Depositary Receipts gained 3.5 percent. It was the top performer on the Solactive Global Lithium Index.



Tianqi said in a filing today to the Shenzhen exchange that it planned to buy a stake in SQM for \$209.6 million from San Francisco-based asset manager SailingStone Capital Partners, which held 9.2 percent of SQM as of June 30. Tianqi will pay \$38 per share for 4.58 percent of SQM's

Class B shares, which amounts to 2.1 percent of SQM. The price paid includes a 51 percent premium to the closing price of SQM's ADRs on Friday.

"The purchase of the 2 percent stake is Tianqi's way of setting a base to increase their holdings in SQM in the short term," Francisco Soto, head of local equity trading at brokerage Tanner Corredores de Bolsa, said by e-mail. "The premium is clearly above the range that many have been speculating in recent months" for the sale of the stake in Calichera.

Tianqi had already announced interest in securing a stake in the Chilean company. On Sept. 9 it said it signed a non-binding agreement with Soc. de Inversiones Oro Blanco SA to bid for its stake in Soc. de Inversiones Pampa Calichera SA, which in turn holds 23 percent of SQM. Chilean billionaire Julio Ponce, the former son-in-law of dictator Augusto Pinochet announced this year he planned to sell the stake in Calichera as he faces investigations for illegal trading in SQM shares and the company is locked in a fight with Chile's government over rights on its Salar mining license, from where it extracts most of its lithium.

Lithium producers are seeking to expand production amid booming demand driven by rising sales of electric vehicles, which require the metal for rechargeable batteries. Earlier this month, Tianqi approved plans to construct a A\$400 million (\$305 million) plant in Australia to process output from Greenbushes, the world's largest hard rock lithium mine. SQM also announced it planned to spend about \$30 million to increase its lithium hydroxide production capacity in Chile to 13,500 metric tons per year from 6,000.

