

# ASX ANNOUNCEMENT

25 February 2020

## JP Morgan High Yield Conference

The following presentation will be provided to the JP Morgan Global High Yield & Leveraged Finance Conference in Miami, Florida, USA by Chris Ellison, Managing Director of Mineral Resources Ltd on 25<sup>th</sup> February 2020.

A copy of the presentation has been provided to the ASX in advance of this presentation.

*This announcement dated 25<sup>th</sup> February 2020 has been authorised for release to the ASX by Derek Oelofse, Group Financial Controller/Company Secretary of Mineral Resources Limited.*

### Ends

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#### About Mineral Resources

Mineral Resources Limited (ASX: MIN) is a Perth-based leading mining services provider, with a particular focus on the iron ore and hard-rock lithium sectors in Western Australia. Using technical know-how and an innovative approach to deliver exceptional outcomes, Mineral Resources has become one of the ASX's best-performing contractors since listing in 2006.

To learn more, please visit [www.mineralresources.com.au](http://www.mineralresources.com.au).

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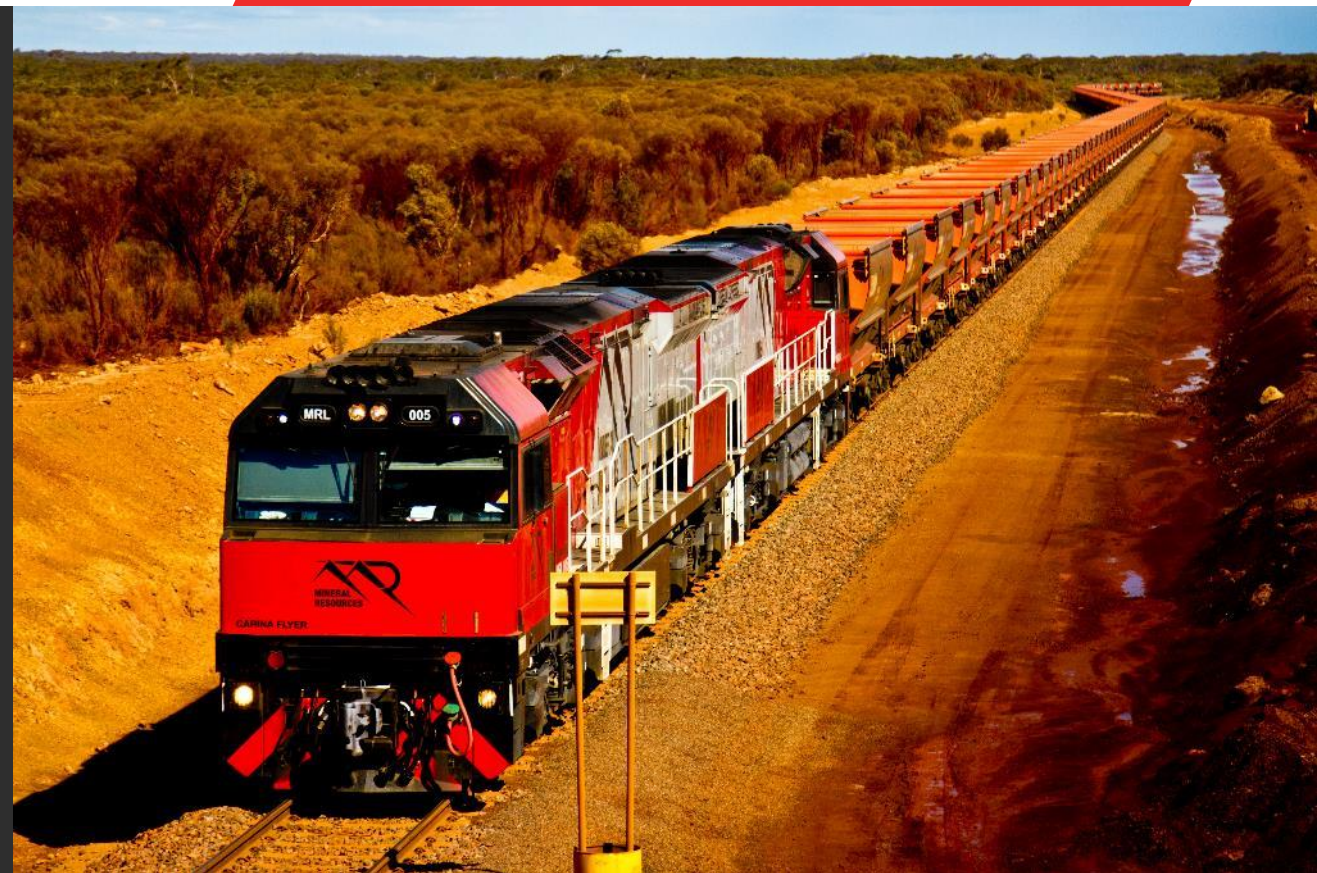




**ASX**MIN

# JP Morgan High Yield Conference

February 2020



# CONTENTS

<b>01</b>	Introduction to Mineral Resources	3
<b>02</b>	Our Business	5
<b>03</b>	Value Creation Since Listing	9
<b>04</b>	Our Recent Performance	10
<b>05</b>	Where's the Future Growth?	13
<b>06</b>	Supplementary Information	18





World's largest crushing contractor



Leading pit-to-port mining services provider



World's top 5 lithium miner with joint ownership of the largest hard rock lithium deposit



Australia's 5<sup>th</sup> largest iron ore producer

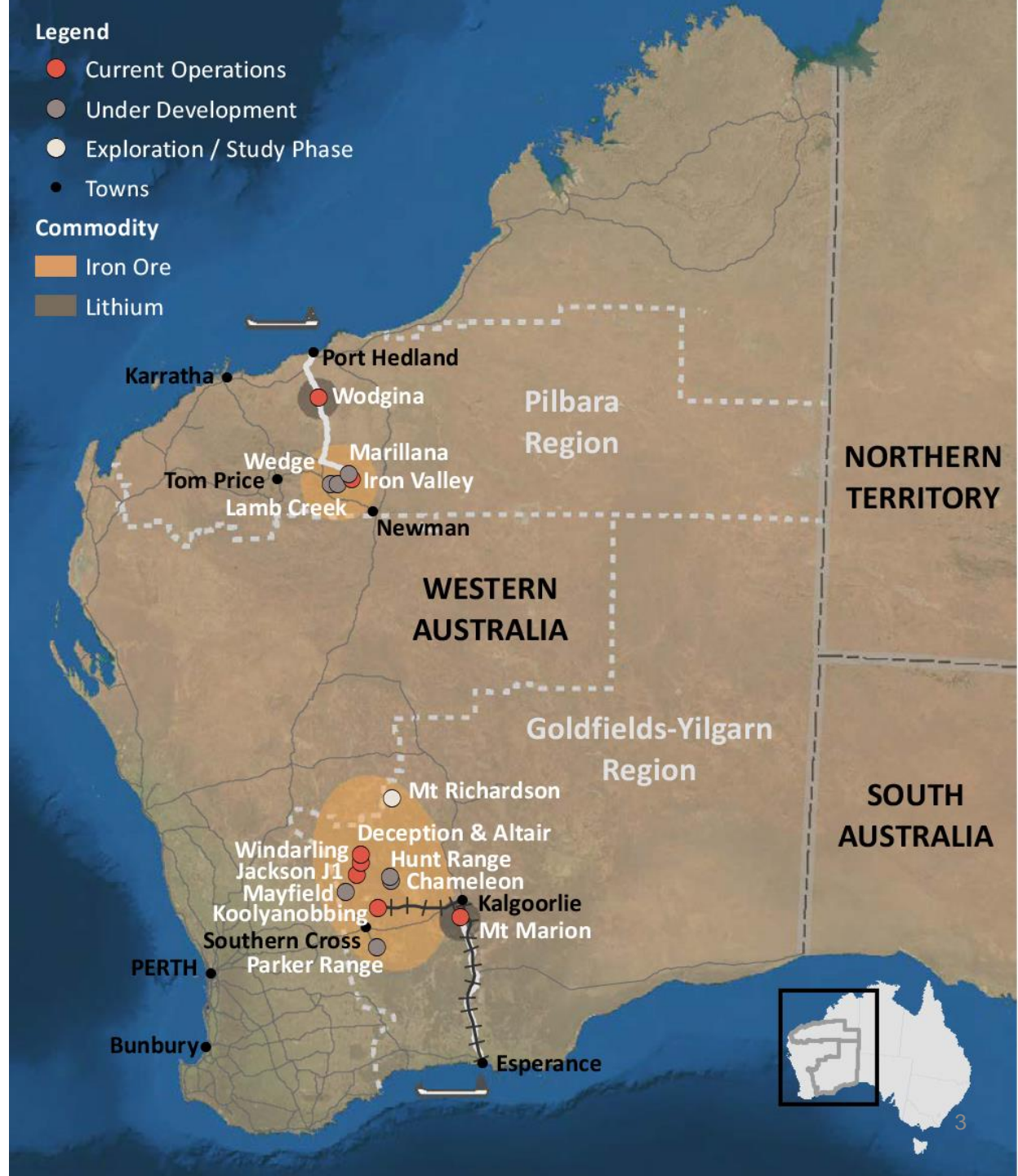


#### Legend

- Current Operations
- Under Development
- Exploration / Study Phase
- Towns

#### Commodity

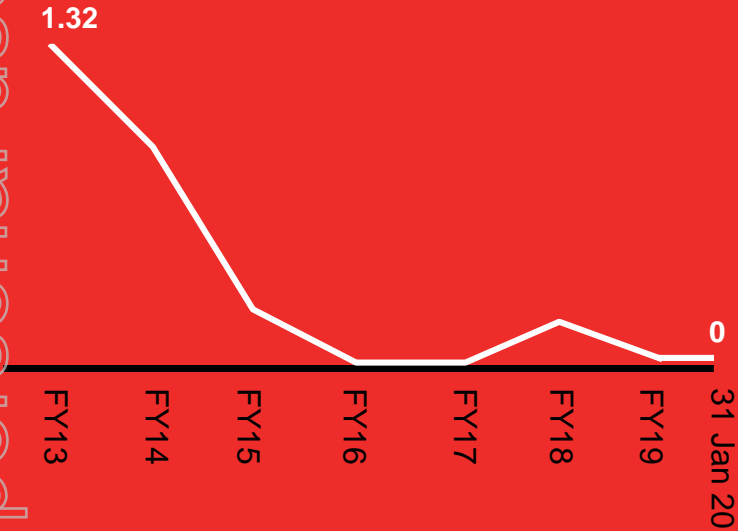
- Iron Ore
- Lithium



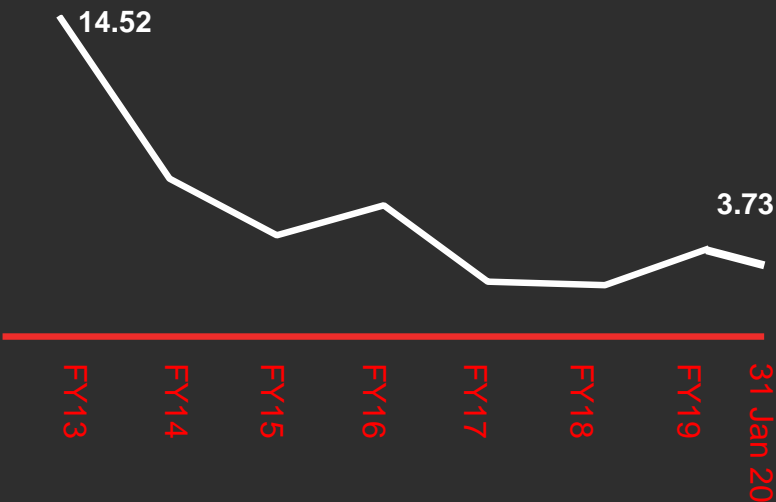
# Safety Performance

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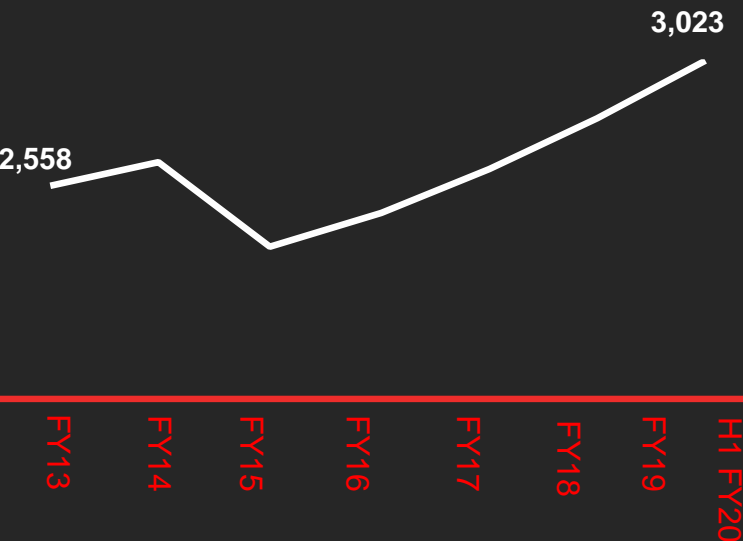
Lost Time Injury Frequency Rate (LTIFR)



Total Recordable Injury Frequency Rate (TRIFR)



Workforce



**4,193,122**  
Hours worked FYTD



**3,000+**  
People as at 31 Dec 2019  
**2,700+ Site-based**

**0.00**  
LTIFR – FYTD  
Per million man hours worked

**3.73**  
TRIFR – FYTD  
Per million man hours worked

Notes:

1. Total Recordable Injury Frequency Rate calculations measure the total number of injuries (excluding first aid) per million hours worked, financial year to date (FYTD), as at 31 January 2020.
2. Lost Time Injury Frequency Rate calculation measure the number of lost time injuries per million hours worked, financial year to date (FYTD), as at 31 January 2020.
3. Total Hours worked for the financial year to date (FYTD) , ending 31 January 2020.

# Our Business Model



## Mining Services

- Leading provider of mining infrastructure services
- Deliver contracted earnings through:
  - Open pit mining
  - Contract crushing
  - Mineral processing
  - Road & rail bulk haulage
  - Site services



## Commodities

### Lithium

- Wodgina (40%), Pilbara
- Mt Marion (50%), Goldfields
- Kemerton, Bunbury – 50ktpa hydroxide plant (40%) – under construction

### Iron Ore

- Koolyanobbing, Yilgarn – 11Mtpa run rate
- Iron Valley, Pilbara – 8Mtpa run rate



## Profit Share Projects

- Take an equity position in the ore body
- Prove up the commodity resource
- JV owners grant MRL a life-of-mine contract to build, own, operate services
- 10 to 30 year life-of-mine mining services contracts



## Innovation & Infrastructure

- Innovative mining equipment and customer solutions to drive efficiency:
  - NextGen crushing plants
  - Carbon fibre technology
  - Synthetic graphite pilot plant
- Extensive supply chain
  - Strategic port allocations
  - Road train and rail networks



# Our Mining Services Business

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## Mining Services

- Open Pit Mining
- Contract Crushing
- Mineral Processing
- Road & Rail Bulk Haulage
- Site Services

## Supply Chain

- Strategic port allocations at Utah Point (Port Hedland) and Esperance
- Access to extensive road train network in Northwest WA, owned by third parties
- Rail locomotives and purpose built wagons in Southern WA
- 24 acre service centre & logistics hub; 160,000 sq ft workshop in Perth

## Construction

- In-house design, engineering and construction capability and workforce
- A\$800m spent on construction in FY19
- Established procurement & supply chain

# Our Commodities Business



## Mt Marion

- Open pit lithium hard rock operation, 600km east of Perth
- 50:50 JV with Jianxi Ganfeng Lithium, Ganfeng has 100% offtake
- Produces 6% and 4% spodumene concentrate, 380ktpa run rate
- Expected mine life of 20+ years
- Product hauled 350km by road to Esperance Port
- Life-of-mine MRL 'pit-to-customer' Mining Services contract



## Wodgina

- Open pit lithium hard rock operation, 1,500km north of Perth
- 40:60 JV with Albemarle
- World's largest known hard rock lithium resource<sup>1</sup>, expected mine life 30+ years
- 750Ktpa of 6% spodumene concentrate
- Life-of-mine MRL crushing, camp & logistics management Mining Services contract
- Currently on care & maintenance



## Koolyanobbing

- Open pit iron ore operation, 400km east of Perth
- Produces lump & fines products, ramping up to 11Mtpa by end Feb 2020
- Ore hauled 580km south by rail to Esperance Port, transported by capesize carriers
- Life-of-mine MRL 'pit-to-customer' Mining Services contract



## Iron Valley

- Open pit iron ore operation, 1,200km north of Perth
- Profit share with mine owner
- Produces lump & fines products, targeting 8Mtpa run rate by June 2020
- Ore is hauled 350km by road train to Port Hedland, then exported by minicape carriers
- Life-of-mine MRL crushing and camp management Mining Services contract



# Innovation & Infrastructure



## Crushing & Processing

- MRL has designed a 15Mtpa NextGen crushing and screening plant
- MRL and Metso have partnered to develop and market the plant
- Quick to market – rapid mobilisation & commissioning
- 15Mtpa plant fabrication underway - operational by mid CY20



## Carbon Fibre Technology

- Developed a carbon fibre manufacturing facility producing structural members
- Field testing 150T dump truck trays
- Commenced manufacturing of the 200T dump truck trays – aiming for first unit end CY20
- Carbon fibre trays will increase dump truck payloads by 10-15%
- Developing carbon fibre crushing screens



## Synthetic Graphite

- Developed a successful synthetic graphite pilot plant
- Produced 96% Total Graphitic Content
- Product certification process underway
- Study to determine most economic size plant to build for commercial production
- Hydrogen gas by-product



## Energy

- 6,600 km<sup>2</sup> of highly prospective gas fields in the Perth Basin
- Adjacent to 3 of the largest onshore conventional gas discoveries within Australia in the last 5 years (2 in the past 12 months)
- Close proximity to existing gas infrastructure
- Aim is to provide low cost gas and energy security to our operations

# Value Creation

- A strong and proven track record of value creation and return on investment
- In-house expertise across the full project lifecycle, from exploration to sales and shipping, allows MRL to evaluate opportunities accurately and quickly, and deliver projects at a lower capital intensity than peers
- **Target minimum rate of return of 20% on capital invested**

## Notes:

1. Total earnings before interest, tax, depreciation and amortisation (EBITDA) reported since listing 28 July 2006.
2. Average conversion of EBITDA to operating cash flow before interest and taxation from FY07 to 1H20. In 1H20, EBITDA excludes Wodgina disposal profit, as related cash inflow does not form part of operating cash flow.
3. Average Return on Invested Capital (ROIC) from FY07 to 1H20 where 1H20 ROIC is calculated on a rolling 12 month basis.
4. Average Compound Annual Growth Rate (CAGR) in diluted Earnings Per Share (EPS) from FY07 to 1H20 where 1H20 EPS is calculated on a rolling 12 month underlying basis.
5. CAGR in gain from a change in share price plus dividends paid (Total Shareholder Return (TSR)) since listing at \$0.90/share in July 2006 to 31 December 2019.



## Since listing in 2006

**A\$5.3bn<sup>1</sup>**  
**Statutory EBITDA**

**99%<sup>2</sup>**  
**Av. Cash Conversion**

**21%<sup>3</sup>**  
**Av. ROIC**

**26%<sup>5</sup>**  
**TSR growth p.a.**

**19%<sup>4</sup>**  
**EPS growth p.a.**

# Financial Performance

## 1H20 Highlights

- Strong earnings contribution from diversified income streams in each of Mining Services and Commodities
- Mining Services contracting generated \$172m EBITDA in the half
- Growth year-on-year on external Mining Services has been over 50%
- Finished the half with over \$1.3bn in cash and a net cash position of \$79m



**A\$987m**

Revenue



**A\$330m**

Underlying EBITDA



**A\$161m**

Operating Cash Flow



**A\$1.3bn**

Cash at Bank



**A\$79m**

Net Cash

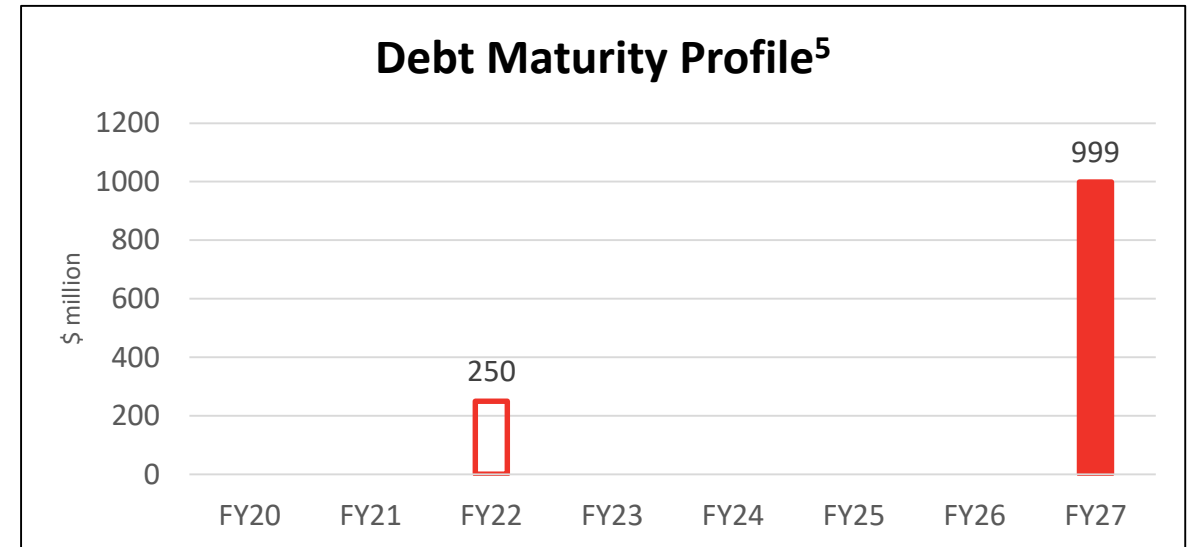


# Credit Metrics and Debt Maturity Profile

Credit Metrics <sup>1</sup>	FY19 <sup>2,3</sup>	1H20 <sup>4</sup>
Cash and equivalents	A\$265m	A\$1,307m
Net debt/(cash)	A\$872m	(A\$79m)
Net gearing	39%	(4%)
Gross gearing	45%	36%
Net debt/(cash) to Underlying EBITDA	2.0x	(0.1x)
Gross debt to Underlying EBITDA	2.6x	1.9x
Underlying EBITDA to net interest	8.2x	8.2x
Underlying EBITDA to gross interest	7.7x	7.6x

## Dividend Policy:

- 50% of Underlying NPAT
- Approximately 1/3<sup>rd</sup> paid as Interim Dividend



- Undrawn \$250m Secured Revolving Credit Facility
- Drawn US\$700m Senior Unsecured Notes

## Notes:

1. Credit Metrics calculated on rolling 12-month basis.
2. Net debt and gross debt at end FY19 excludes \$26m of Hire Purchase liabilities held within net assets held for sale.
3. Net interest and gross interest for FY19 includes \$22m of capitalised interest.
4. Net interest and gross interest for the rolling 12-months ended 31 Dec 2019 includes \$10m of capitalised interest.
5. Excluding capital repayments on Hire Purchase arrangements.

# Delivering on our commitments

	WHAT WE SAID	WHAT WE DID	
Create one of the World's top lithium businesses	<ul style="list-style-type: none"> <li>Complete Albemarle transaction</li> <li>Construct and commission Wodgina spodumene concentrate project</li> <li>Progress construction of downstream lithium hydroxide conversion plant</li> </ul>	<ul style="list-style-type: none"> <li>Completed construction of 750Ktpa Wodgina spodumene plant</li> <li>Created MARBL JV: received US\$820m cash and 40% of Kemerton lithium hydroxide plant</li> <li>Fast tracked downstream strategy through free carried interest in Kemerton</li> </ul>	✓
Grow Mining Services	<ul style="list-style-type: none"> <li>Grow Mining Services EBITDA by 40% from FY19 baseline</li> </ul>	<ul style="list-style-type: none"> <li>1H20 Mining Services EBITDA of \$172m is ahead of target</li> </ul>	✓
Grow commodity exports	<ul style="list-style-type: none"> <li>Grow Koolyanobbing iron ore production and exports from 6Mtpa to 11Mtpa run rate</li> </ul>	<ul style="list-style-type: none"> <li>Developed 10 year strategy for Yilgarn region</li> <li>Run rate of 11Mtpa in Feb 2020</li> <li>Completed study to expand to 15Mtpa by end 2020</li> </ul>	✓
Innovation	<ul style="list-style-type: none"> <li>Continue to deliver client value through innovation</li> </ul>	<ul style="list-style-type: none"> <li>15Mtpa NextGen crushing plant developed in partnership with Metso</li> <li>Progressed synthetic graphite production and manufacture of carbon fibre components</li> </ul>	✓
Financial Strength	<ul style="list-style-type: none"> <li>Maintain financial discipline</li> <li>Retain cash for reinvestment</li> </ul>	<ul style="list-style-type: none"> <li>Moved to a net cash position as at 31 Dec 2019</li> <li>A\$1.3bn cash for reinvestment in business</li> <li>Average Return on Invested Capital 21%</li> </ul>	✓

# Where's the Future Growth?

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- Existing Operations
- Future Projects





# Future Growth – Existing Operations

Existing and approved projects to drive medium-term growth

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## Mining Services

- Strong pipeline of Mining Services contracts over next 1-2 years
- First 15Mtpa NextGen crushing plant commissioning August 2020
- Average growth 15% p.a. Next 2.5 years, expect growth will be 30%
- Continue to progress innovation projects towards commercialisation

## Lithium

### Kemerton (40%)

- 50ktpa lithium hydroxide plant under construction with commissioning expected in CY21 – fully funded by Albemarle

### Wodgina (40%)

- Wodgina restart – subject to market conditions

## Iron Ore

### Koolyanobbing

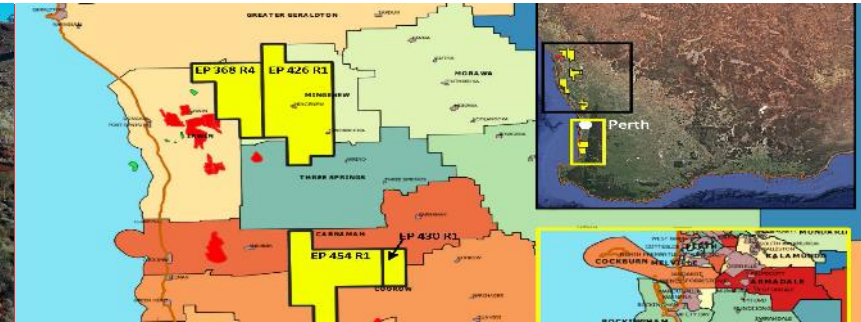
- Ramp up from 11Mtpa to circa 15Mtpa by end of CY20

### Iron Valley

- Operate at circa 8Mtpa

# Future Growth – New Projects

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## Marillana - Iron Ore

- 50:50 JV with Brockman Mining
- Study due for completion mid CY20
- Aiming to produce 15-20Mtpa for 20-25 years @60% Fe

## West Pilbara - Iron Ore

- Undertaking significant study for West Pilbara
- Currently have exploration drill rigs in operation
- Study includes establishment of:
  - 3 operating mine sites
  - 380km medium gauge rail line
  - Two capesize berths at Port Hedland inner harbour
- Preliminary results due mid CY20
- Will bring in an equity partner for rail and port infrastructure

## Perth Basin - Gas

- In 2020 planning:
  - 250km seismic survey
  - One conventional gas exploration well, 4.5km deep



# Key Takeaways

## Balance Sheet Strength

- ✓ Core to our history of being one of Australia's leading diversified mining services and infrastructure providers

## Lengthy track record of value creation

- ✓ History of managing the business over 3 decades through industry and commodity downturns and global crises

## Core, stable base of Mining Services cash flow and profits

- ✓ Fundamental integrated mining production-related activities of our high quality, long-standing customers – who are some of the largest, well capitalised global mining companies
- ✓ Consistent margins and strong cash conversion from contract terms which mitigate risk
- ✓ Services offering is innovative, high quality and cost efficient

## Future Growth

- ✓ Significant opportunity to deploy capital in long-life, low-cost, high returning projects





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# Questions



# Supplementary Information





# 1H20 Financial Performance

Metric	1H20 Result	Comparison to pc <sup>1</sup>
Revenue	\$987m	Up 78%
EBITDA (statutory)	\$1,575m	Up 2,088%
EBITDA (underlying) <sup>2</sup>	\$330m	Up 224%
NPAT (statutory)	\$884m	Up 6,700%
NPAT (underlying) <sup>2</sup>	\$129m	Up 279%
Diluted EPS	470.1cps	Up 6,429%
Dividends declared	23cps	Up 77%
Operating cash flow	\$161m	Up \$174m
Capex and investments	\$192m	Down \$302m
Net cash	\$79m	Up \$951m
Net assets	\$2,210m	Up \$830m
Return on invested capital <sup>3</sup>	52%	Up 430%



Notes:

1. Comparison to prior corresponding period (pcp) being 1H19 for P&L and cash flow data and 2H19 for balance sheet data.
2. See page 31 for reconciliation of Non-IFRS financial information.
3. Return on Invested Capital (ROIC) calculated on a rolling 12 month basis.



# Underlying Profit & Loss

- Revenue of \$987m up 78% on prior corresponding period (pcp) and EBITDA of \$330m up 224% on pcp
- 1H20 Revenue and EBITDA driven by:
  - Mining Services growth from Koolyanobbing ramp-up, higher tonnes in existing external contracts, and new external contracts won in FY19
  - Record Iron Ore sales of 6.7Mt due to ramp-up of Koolyanobbing (1H20 3.2Mt compared to 1H19 0.3Mt)
  - Strong achieved Iron Ore price (1H20 \$103/t compared to 1H19 \$65/t)
  - Partially offset by lower Lithium revenue from adverse pricing for 6% spodumene concentrate
- Depreciation and amortisation increase due to higher production in external Mining Services contracts, and increased production and higher strip ratio at Koolyanobbing
- Net finance costs in 1H20 reflect the impact of a full six months of US\$ bond costs
- Effective tax rate of 33% in the half. We expect the rate to revert to 30% or below in future periods

Underlying Profit & Loss (\$ million)	1H19	1H20	Variance
<b>Revenue</b>	<b>555</b>	<b>987</b>	<b>432</b>
Operating costs	(453)	(656)	(203)
<b>EBITDA</b>	<b>102</b>	<b>330</b>	<b>228</b>
<i>EBITDA margin (%)</i>	<i>18%</i>	<i>33%</i>	<i>15%</i>
Depreciation and amortisation	(46)	(92)	(46)
<b>EBIT</b>	<b>56</b>	<b>238</b>	<b>182</b>
<i>EBIT margin (%)</i>	<i>10%</i>	<i>24%</i>	<i>14%</i>
Net finance costs	(7)	(46)	(39)
<b>PBT</b>	<b>49</b>	<b>191</b>	<b>142</b>
Tax	(15)	(62)	(47)
<i>Effective tax rate (%)</i>	<i>31%</i>	<i>33%</i>	<i>2%</i>
<b>NPAT</b>	<b>34</b>	<b>129</b>	<b>95</b>
<i>NPAT margin (%)</i>	<i>6%</i>	<i>13%</i>	<i>7%</i>

# Cash Flow

- Working capital outflow of \$13m in 1H20 as a result of:
  - Build up of inventory levels (both current and non-current):
    - Wodgina - pre care & maintenance
    - Koolyanobbing – ramping up to 11Mt per annum run rate
    - Partially offset by decrease in Iron Valley Fines and Wodgina DSO holdings
  - Decrease in trade receivables due to the timing of Iron Ore shipment invoicing
- Capex and investment of \$192m in 1H20 includes:
  - Completion of Wodgina spodumene concentrate plant and related infrastructure
  - Acquisition of Parker Range from Cazaly Resources Limited<sup>1</sup>
  - Mining assets and pre-stripping to support the Group's commodity projects
- Driven by strong underlying profit and Wodgina proceeds, MRL increased its cash balance by over \$1.0bn in the half

Cash Flow (\$ million)	1H19	1H20	Variance
<b>Underlying EBITDA</b>	<b>102</b>	<b>330</b>	<b>228</b>
Movement in working capital	(80)	(13)	67
<b>Net cash flow from operating activities before financing and tax</b>	<b>22</b>	<b>317</b>	<b>295</b>
Maintenance capex	(26)	(30)	(4)
Growth capex and investment	(468)	(162)	306
<b>Net free cash flow (before financing and tax)</b>	<b>(473)</b>	<b>125</b>	<b>598</b>
Tax paid	(29)	(113)	(84)
Net interest paid	(6)	(44)	(38)
Dividends paid	(71)	(54)	17
Amounts advanced to joint operations	(3)	(6)	(3)
Net change in borrowings	480	(27)	(507)
Disposal of 60% interest in Wodgina	-	1,174	1,174
Other	(3)	(14)	(11)
<b>Net increase in cash and cash equivalents</b>	<b>(105)</b>	<b>1,041</b>	<b>1,146</b>

# Summary Balance Sheet

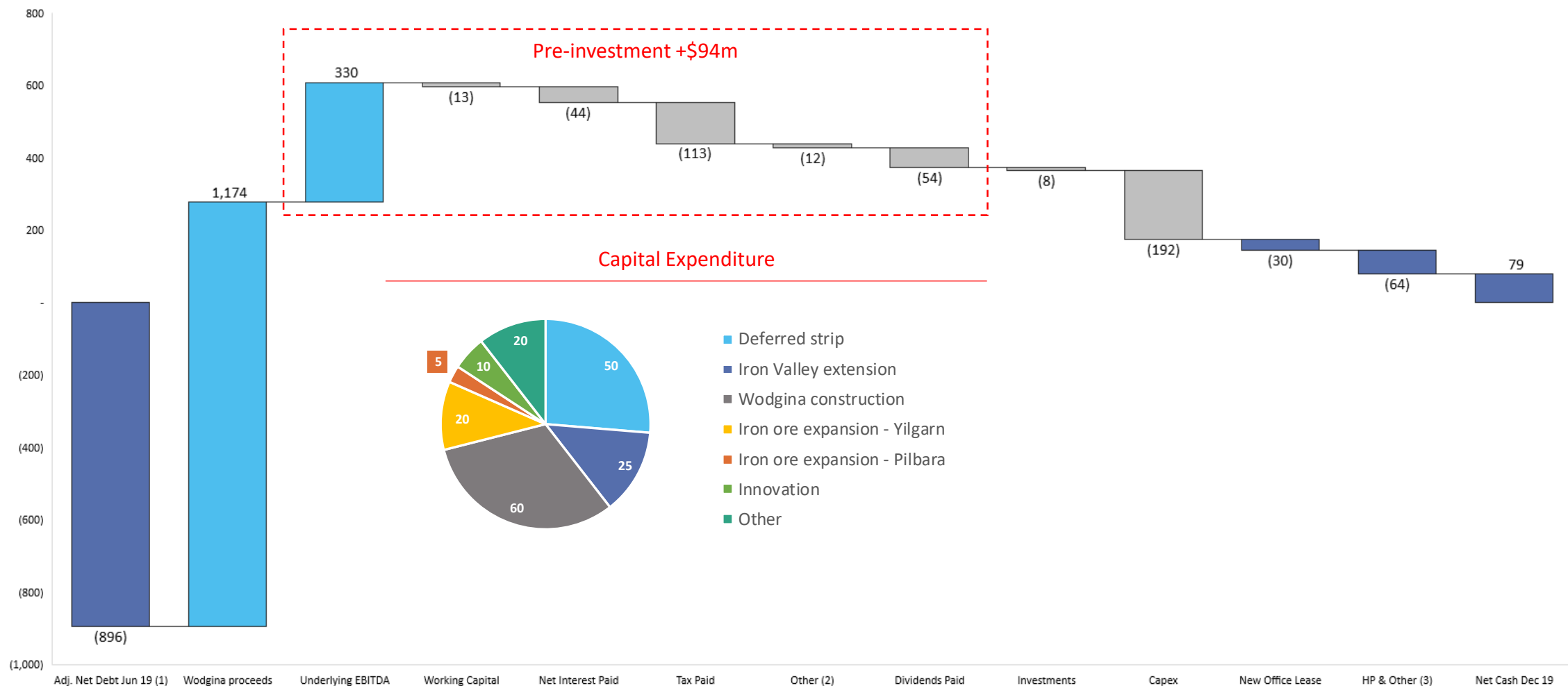
- Inventories decreased \$20m from reallocation of Wodgina stockpiles to non-current assets following the decision to put the project into care and maintenance, sale of remaining Wodgina DSO stock and sale of Iron Valley fines stock. Reductions were partially offset by increased Koolyanobbing inventories from the ramp-up activity
- Trade and other receivables decreased \$11m due to timing of iron ore shipment invoicing partially offset by recognition of the Wodgina disposal completion adjustment
- Other working capital decreased \$396m primarily from the recognition of tax payable on Wodgina proceeds. This liability will be settled in December 2020
- Non-current receivables and inventory increase of \$643m reflects accounting for MRL's interest in the Kemerton hydroxide facility and reallocation of Wodgina stockpiles
- Financial assets reduced \$24m from the fair value adjustment of MRL's holding in Pilbara Minerals (ASX: PLS) net of acquisitions in the half
- Driven by the strong underlying profit in the period and Wodgina proceeds, MRL ended the half in a net cash positive position

Summary Balance Sheet (\$ million)	FY19	1H20	Variance
Inventories	180	160	(20)
Trade and other receivables	167	156	(11)
Trade and other payables	(259)	(267)	(8)
Other	43	(353)	(396)
<b>Net working capital</b>	<b>131</b>	<b>(304)</b>	<b>(435)</b>
Non-current receivables and inventory	40	683	643
Financial assets	75	51	(24)
Property, plant and equipment	1,301	1,329	28
Intangibles	85	89	4
Exploration and mine development	409	416	8
Provisions	(89)	(101)	(12)
Net deferred tax liability	(140)	(33)	107
<b>Capital employed</b>	<b>1,811</b>	<b>2,131</b>	<b>320</b>
<b>Net assets held for sale</b>	<b>441</b>	<b>-</b>	<b>(441)</b>
Cash and cash equivalents	265	1,307	1,041
Borrowings	(1,137)	(1,228)	(91)
<b>Net (debt) / cash</b>	<b>(872)</b>	<b>79</b>	<b>951</b>
<b>Total net assets</b>	<b>1,380</b>	<b>2,210</b>	<b>830</b>



# Net Debt Waterfall

Cash Flow (\$m)



Notes:

1. Net Debt as at 30 June 2019 (\$871.6m + \$25.6m held for sale), less HP liabilities disposed of as part of Wodgina transaction (\$13.3m), plus debt from introduction on AASB 16 (leases) (\$11.7m).
2. Other comprises: proceeds from disposal of PPE (+\$5.8m); amounts advanced to joint operations (-\$5.9m); and effects of exchange rate changes on cash (-\$11.4m).
3. HP & Other includes HP drawdowns in the period.



# Operating Segments

- Mining Services provides pit-to-port infrastructure services across mining supply chain to Australia's blue chip mining companies and MRL's own and joint venture projects
- Mining Services contracts are paid per unit of production and are not subject to commodity price movements. Sliding scale contractual rates provide downside protection in event client requires lower production
- Mining Services growth in 1H20 driven by ramp-up of Koolyanobbing, higher tonnes in existing external contracts and new external contracts won in FY19
- Commodities growth driven by record Iron Ore exports and higher Iron Ore revenues per tonne
- MRL has centralised majority of corporate and support functions. Costs for centralised services are allocated to projects monthly and are included in Mining Services and Commodities segments
- Inter-segment EBITDA represents Mining Services EBITDA earned on MRL's Commodity projects where underlying commodity has not yet been sold

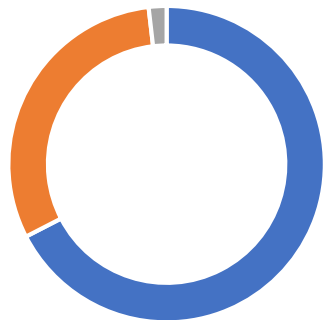
Operating Segments (\$ million)	1H19 Revenue	1H19 Underlying EBITDA	1H19 Margin	1H20 Revenue	1H20 Underlying EBITDA	1H20 Margin
Mining Services	467	88	19%	613	172	28%
Commodities	408	45	11%	770	184	24%
Central	-	(2)		-	(11)	
Inter-segment	(320)	(29)		(396)	(14)	
<b>MRL Group</b>	<b>555</b>	<b>102</b>	<b>18%</b>	<b>987</b>	<b>330</b>	<b>33%</b>

# Mining Services Revenue

## Major external contract win / renewal metrics

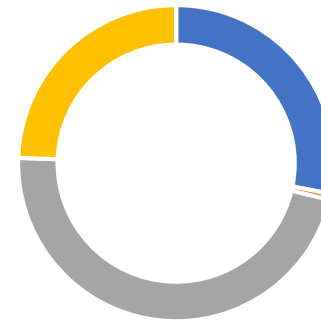
Metrics	FY15	FY16	FY17	FY18	FY19	1H20
New contracts commenced	-	-	3	1	3	-
Ore bodies exhausted early, contracts ended due to end of life-of-mine	-	(1)	-	(1)	-	-
Existing contracts renewed	7	1	3	4	7	1
Existing contracts lost on renewal to alternative provider	-	-	-	(1)	-	-
Retention rate of existing contracts on renewal	100%	100%	100%	80%	100%	100%

## Revenue<sup>1,2</sup> by end user



■ Iron ore ■ Lithium ■ Gold

## Revenue<sup>1</sup> by length of contract



■ < 3 yrs ■ 3-5 yrs ■ 5-10 yrs ■ >10 yrs

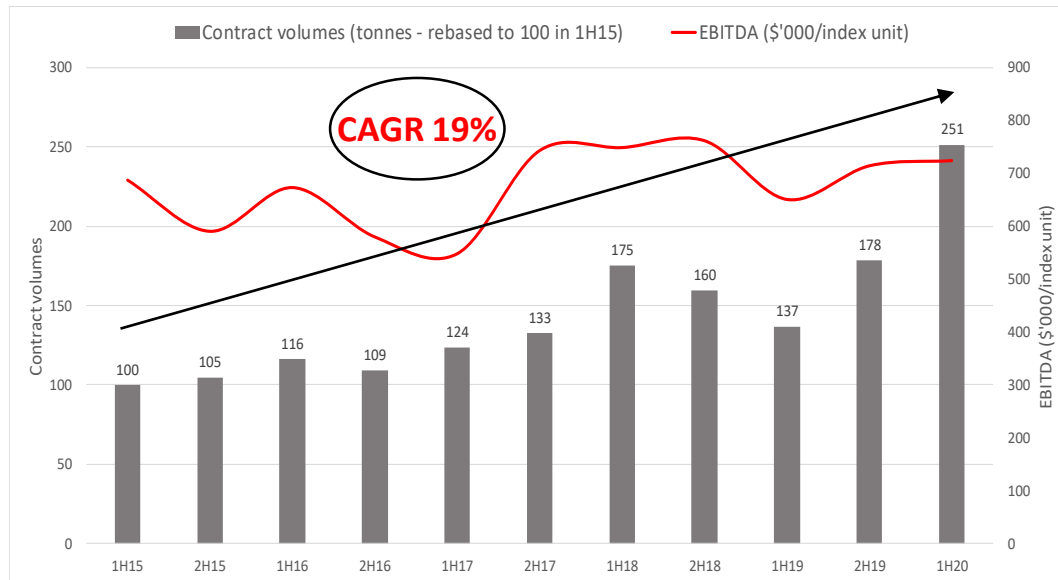
### Notes:

- 1H20 Mining Services Segment Revenue (external and intersegment).
- MRL's Mining Services contract rates are not linked to commodity prices. There are no commodity price related revenues in the Mining Services segment.



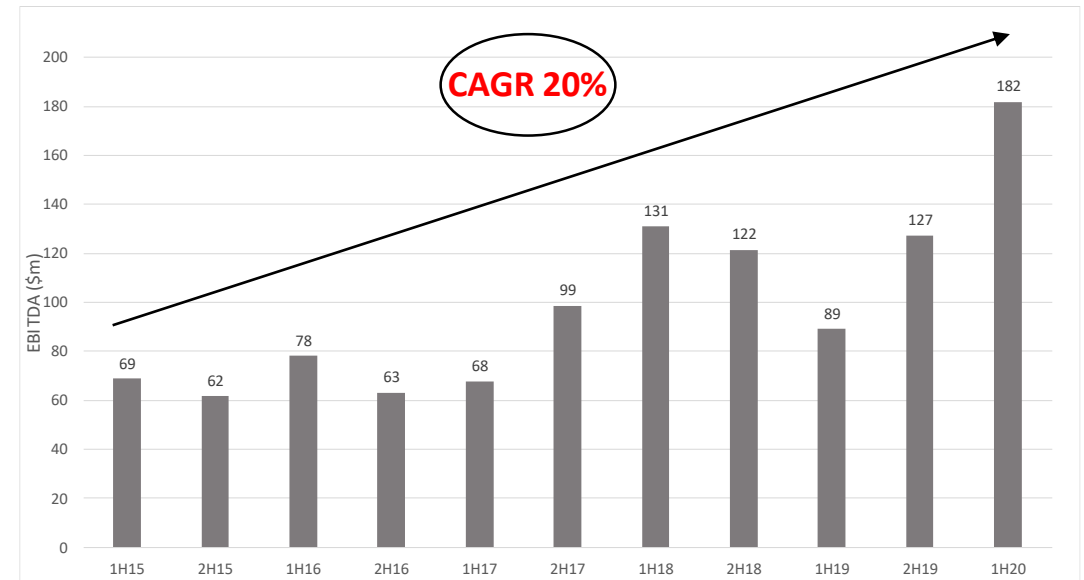
# Mining Services Growth

## Mining Services contract volumes and margins



- Contract volumes include production-related mining, crushing, processing and other mining services where MRL owns the underlying assets delivering the production-related service
- Volumes have grown at a compound annual growth rate (CAGR) of 19%<sup>1</sup> since 1H15
- Margins per contract volume have been maintained through the period

## Mining Services less construction EBITDA<sup>2</sup>



- Mining Services less construction EBITDA reflects MRL's annuity-style production-related earnings
- Construction projects for external customers are not currently part of MRL's core business offering as the construction team is employed on internal construction/development projects
- Annuity-style EBITDA has grown at a CAGR of 20%<sup>1</sup> since 1H15

### Notes:

- Compound annual growth rate (CAGR) since 1H15 calculated as the CAGR for the successive 6-month periods from 1H15 to 1H20 multiplied by 2.
- Mining Services Segment Underlying EBITDA of \$172m before \$10m of Construction overheads. All direct Construction costs are allocated to internal projects.

# Commodities Segment

## Iron Ore

- Record exports of 6.7Mt up 70% pcp from Koolyanobbing ramp-up
- Further increase forecast for 2H20 as Koolyanobbing increases to 11Mtpa run-rate
- Material increase in market prices pcp has driven higher Revenue and EBITDA per tonne

## Spodumene Concentrate

- EBITDA of \$4m in 1H20, down \$45m pcp
- At Mt Marion, cost control offset by further deterioration of market price
- Wodgina placed into care and maintenance in period incurring costs of \$12m

Commodities Segment (\$ million)	1H19 Revenue	1H19 Underlying EBITDA	1H19 Margin	1H20 Revenue	1H20 Underlying EBITDA	1H20 Margin
Iron Ore	259	2	1%	696	185	27%
Spodumene Concentrate	96	49	51%	74	4	6%
Lithium Direct Ship Ore	53	(5)	(9%)	-	-	
Other	-	(1)		-	(6)	
<b>Commodities</b>	<b>408</b>	<b>45</b>	<b>11%</b>	<b>770</b>	<b>184</b>	<b>24%</b>

Commodity Exports (Kwmt)	2H17	1H18	2H18	1H19	2H19	1H20
Iron Ore	5,556	4,835	4,514	3,965	6,597	6,748
Spodumene Concentrate	116	202	181	186	192	198
Lithium Direct Ship Ore	720	1,772	1,710	422	-	-
<b>Commodities</b>	<b>6,392</b>	<b>6,809</b>	<b>6,404</b>	<b>4,573</b>	<b>6,789</b>	<b>6,945</b>

# Commodities – Koolyanobbing Iron Ore

- 3.2Mt exported in 1H20, in line with FY20 guidance
- Lump contribution of exports at 36% for the period, but is expected to increase in 2H20 to achieve average of 40% for FY20
- Lump and Fines realisation of Adjusted Platts Index<sup>1</sup> decreased during 1H20 as discounts for lower grade iron ore widened
- CFR Cost per tonne in 1H20 in line with FY20 guidance

Koolyanobbing Iron Ore	1H18	2H18	FY18	1H19	2H19	FY19	1H20
<b>Lump</b>							
Exports (Kwmt)	-	-	-	55	1,216	1,271	1,135
Fe grade (%)	-	-	-	59.7%	59.3%	59.3%	59.7%
Moisture (%)	-	-	-	2.8%	3.1%	3.1%	3.2%
Revenue (\$/wmt)	-	-	-	102.8	143.0	141.3	117.0
Realisation <sup>1</sup> (%)	-	-	-	114.7%	122.5%	122.2%	102.3%
<b>Fines</b>							
Exports (Kwmt)	-	-	-	237	1,648	1,885	2,023
Fe grade (%)	-	-	-	58.4%	58.1%	58.2%	59.0%
Moisture (%)	-	-	-	4.3%	4.0%	4.1%	4.5%
Revenue (\$/wmt)	-	-	-	76.0	110.9	106.5	104.1
Realisation <sup>1</sup> (%)	-	-	-	88.2%	97.4%	96.3%	92.4%
<b>Weighted Average</b>							
Exports (Kwmt)	-	-	-	292	2,864	3,156	3,158
Revenue (\$/wmt)	-	-	-	81.1	124.5	120.5	108.8
CFR cost (\$/wmt)	-	-	-	83.5	74.6	75.5	73.6
EBITDA (\$/wmt)	-	-	-	(2.4)	49.9	45.0	35.2

Notes:

1. Revenue as a proportion of Adjusted Platts Index (being Platts 62% Iron Ore Index (Platts) expressed in Australian dollars and adjusted for Fe grade and moisture).



# Commodities – Iron Valley Iron Ore

- 3.6Mt exported in 1H20, in line with FY19 and up on FY20 guidance
- Lump contribution to exports of 36%, down from 42% in FY19, but expected to increase in 2H20 to achieve average of 40% for FY20
- Lump realisation of Adjusted Platts Index<sup>1</sup> decreased during 1H20 as discounts for lower grade iron ore widened
- Fines realisation of Adjusted Platts Index<sup>1</sup> increased in 1H20, mainly due to a fixed price contract reducing 2H19 realisation
- Increase in CFR Cost per tonne exported in 1H20 was in line with FY20 guidance and due to higher mining and shipping costs during the period

Iron Valley Iron Ore	1H18	2H18	FY18	1H19	2H19	FY19	1H20
<b>Lump</b>							
Exports (Kwmt)	2,024	2,178	4,202	1,926	1,187	3,113	1,305
Fe grade (%)	60.2%	59.6%	59.9%	60.1%	60.0%	60.1%	59.6%
Moisture (%)	4.7%	5.1%	4.9%	5.4%	6.7%	5.9%	6.0%
Revenue (\$/wmt)	84.3	67.1	75.4	80.5	129.8	99.3	111.5
Realisation <sup>1</sup> (%)	104.8%	81.8%	92.7%	92.8%	116.2%	101.7%	100.6%
<b>Fines</b>							
Exports (Kwmt)	1,035	957	1,992	1,747	2,546	4,293	2,285
Fe grade (%)	58.0%	57.6%	57.8%	58.3%	58.5%	58.4%	58.3%
Moisture (%)	8.0%	7.9%	7.9%	8.5%	9.2%	8.9%	9.0%
Revenue (\$/wmt)	51.7	46.3	49.1	45.7	72.6	61.7	90.7
Realisation <sup>1</sup> (%)	69.1%	60.1%	64.7%	56.1%	66.5%	62.3%	84.7%
<b>Weighted Average</b>							
Exports (Kwmt)	3,058	3,136	6,194	3,673	3,733	7,406	3,590
Revenue (\$/wmt)	73.3	60.7	66.9	64.0	90.8	77.5	98.2
CFR cost (\$/wmt)	59.3	63.9	61.6	63.2	72.7	68.0	77.3
EBITDA (\$/wmt)	14.0	(3.1)	5.3	0.7	18.9	9.8	20.9

Notes:

1. Revenue as a proportion of Adjusted Platts Index (being Platts 62% Iron Ore Index (Platts) expressed in Australian dollars and adjusted for Fe grade and moisture).

# Commodities – Mt Marion Lithium

- 1H20 Spodumene Concentrate exports in line with FY20 guidance and previous periods
- 6% Product contribution of exports at 66% for the half
- Prevailing Lithium market conditions have resulted in a reduction in Revenue per tonne in the half
- CFR Cost per tonne in 1H20 below guidance, primarily due to lower than plan strip ratio mining last stage of Central Pit, while North Pit mining continued at a high strip ratio with majority of North Pit deferred stripping costs capitalised

Mt Marion Lithium	1H18	2H18	FY18	1H19	2H19	FY19	1H20
<b>6% Spodumene Concentrate</b>							
Exports (at 100%) (Kwmt)	109	101	209	138	134	272	127
Moisture (%)	2.7%	3.5%	3.1%	3.1%	2.8%	2.9%	2.9%
Revenue (\$/wmt)	1,050.1	1,168.4	1,107.0	1,341.0	1,014.2	1,181.8	805.6
<b>4% Spodumene Concentrate</b>							
Exports (at 100%) (Kwmt)	93	80	173	48	58	106	67
Moisture (%)	3.7%	4.7%	4.1%	4.4%	3.5%	3.9%	3.6%
Revenue (\$/wmt)	537.2	650.5	539.1	753.0	582.2	682.9	405.4
<b>Weighted Average</b>							
Exports (at 100%) (Kwmt)	202	181	382	185	192	378	194
6% Product contribution (%)	54.0%	55.8%	54.7%	74.6%	69.8%	72.0%	65.4%
Revenue (\$/wmt)	808.9	956.3	878.6	1,204.9	888.6	1,043.9	673.7
CFR Cost (\$/wmt)	559.8	593.6	575.8	594.2	646.4	620.8	504.7
EBITDA (\$/wmt)	249.1	362.7	302.8	610.7	242.2	423.1	169.0

# Reconciliation of Non-IFRS Financial Information

Reconciliation of Non-IFRS Financial Information (\$ million)	1H19	2H19	FY19	1H20
<b>Statutory Revenue</b>	<b>555</b>	<b>957</b>	<b>1,512</b>	<b>987</b>
<b>Statutory EBITDA</b>	<b>72</b>	<b>314</b>	<b>386</b>	<b>1,575</b>
Less: gain on disposal of 60% interest in Wodgina <sup>1</sup>	-	-	-	(1,290)
Less: fair value loss on investments <sup>2</sup>	30	12	42	32
Less: FX translation loss on US Bond <sup>2</sup>	-	4	4	1
Less: FX translation loss on cash & cash equivalents <sup>2</sup>	-	-	-	12
<b>Underlying EBITDA</b>	<b>102</b>	<b>331</b>	<b>433</b>	<b>330</b>
Less: depreciation and amortization	(46)	(63)	(109)	(92)
<b>Underlying EBIT</b>	<b>56</b>	<b>268</b>	<b>324</b>	<b>238</b>
Add: interest income	1	2	3	4
Less: finance costs <sup>3</sup>	(8)	(26)	(34)	(51)
<b>Underlying PBT</b>	<b>49</b>	<b>244</b>	<b>293</b>	<b>191</b>
Less: adjusted tax	(15)	(73)	(88)	(62)
<b>Underlying NPAT</b>	<b>34</b>	<b>171</b>	<b>205</b>	<b>129</b>
Add: gain on disposal of 60% interest in Wodgina (net of tax)	-	-	-	901
Add: fair value loss on investments (net of tax at 30%)	(21)	(9)	(30)	(22)
Add: FX translation loss on US Bond (net of tax at 30%)	-	(3)	(3)	(1)
Add: FX translation loss on cash & cash equivalents (net of tax at 30%)	-	-	-	(8)
Add: impairments (net of tax at 30%)	-	(7)	(7)	(114)
<b>Statutory NPAT</b>	<b>13</b>	<b>152</b>	<b>165</b>	<b>884</b>

1. Adjustment attributable to Commodities operating segment.

2. Adjustment attributable to Central operating segment.

3. Finance costs does not include interest capitalized on the Wodgina Lithium Project of 1H19 \$12m, 2H19 \$10m and 1H20 nil.



# FY20 Guidance

## Profit & Loss

- Previous expected growth looks set to continue
- Hard to predict the impact the Novel Coronavirus may have on parts of our business

COMMODITIES	Koolyanobbing	Iron Valley	Mt Marion	Wodgina
Commodity	Iron ore	Iron ore	Spodumene concentrate	Spodumene concentrate
Ownership	100%	100%	50%	40%
Exports <sup>1</sup>	8.5 – 9.0Mt 40% Lump product	6.0 – 6.5Mt 40% Lump product	360 – 380Kt 70% SC6 product	Care & maintenance
Operating costs <sup>2</sup>	In line with 2H19 (2H19 \$75/wmt)	15% up on FY19 (FY19 \$68/wmt)	In line with 1H19 (1H19 \$594/wmt)	Not material
<b>MINING SERVICES</b>	<b>Mining Services EBITDA expected to be \$280 - \$300 million</b>			

Notes:

1. Wet metric tonnes for 100% of project output.
2. MRL has assumed a AUD:USD foreign exchange rate of 0.680 in estimating Commodity Project operating costs.

# FY20 Guidance

## Capital Expenditure<sup>1</sup>

CAPEX (\$ million)	FY20	FY20
Deferred strip and other	60	
Iron Valley extension (to maintain operations to March 2021)	50	
<b>Total sustaining capex</b>		<b>110</b>
Completion of Wodgina construction	50	
Iron ore expansion – Yilgarn	120	
Iron ore expansion – Pilbara (drilling and feasibility work)	20	
Innovation	30	
Gas	30	
Other (including office fit out)	50	
<b>Total growth capex</b>		<b>300</b>
<b>TOTAL CAPEX</b>		<b>410</b>

Notes:

1. Partial sale of Wodgina has released US\$820m for reinvestment. MRL is evaluating a number of investment opportunities to underpin expansionary activities and these would be additional to current plans.

# Key Financial Policies and Guidelines

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## Conservative

- ✓ MRL's financial risk DNA is conservative – historically funded growth with internally generated cash flows
- ✓ Maintaining adequate liquidity is paramount and drives everything we do

## Capital structure

- ✓ Long-term target of gross leverage (Debt-to-EBITDA) < 2.0x

## Liquidity risk management

- ✓ Targeted minimum liquidity of A\$200m (including A\$50m cash)
- ✓ A\$250m working capital facility with local relationship banks

## Dividend / buyback policy

- ✓ 50% Underlying NPAT dividend payout ratio policy
- ✓ Discretionary dividends – Board determines based on profitability, market and balance sheet strength

## Capital expenditure

- ✓ Rigorous capital management approach and prudent toward strategic initiatives
- ✓ Capital expenditure > A\$10m currently requires Board approval



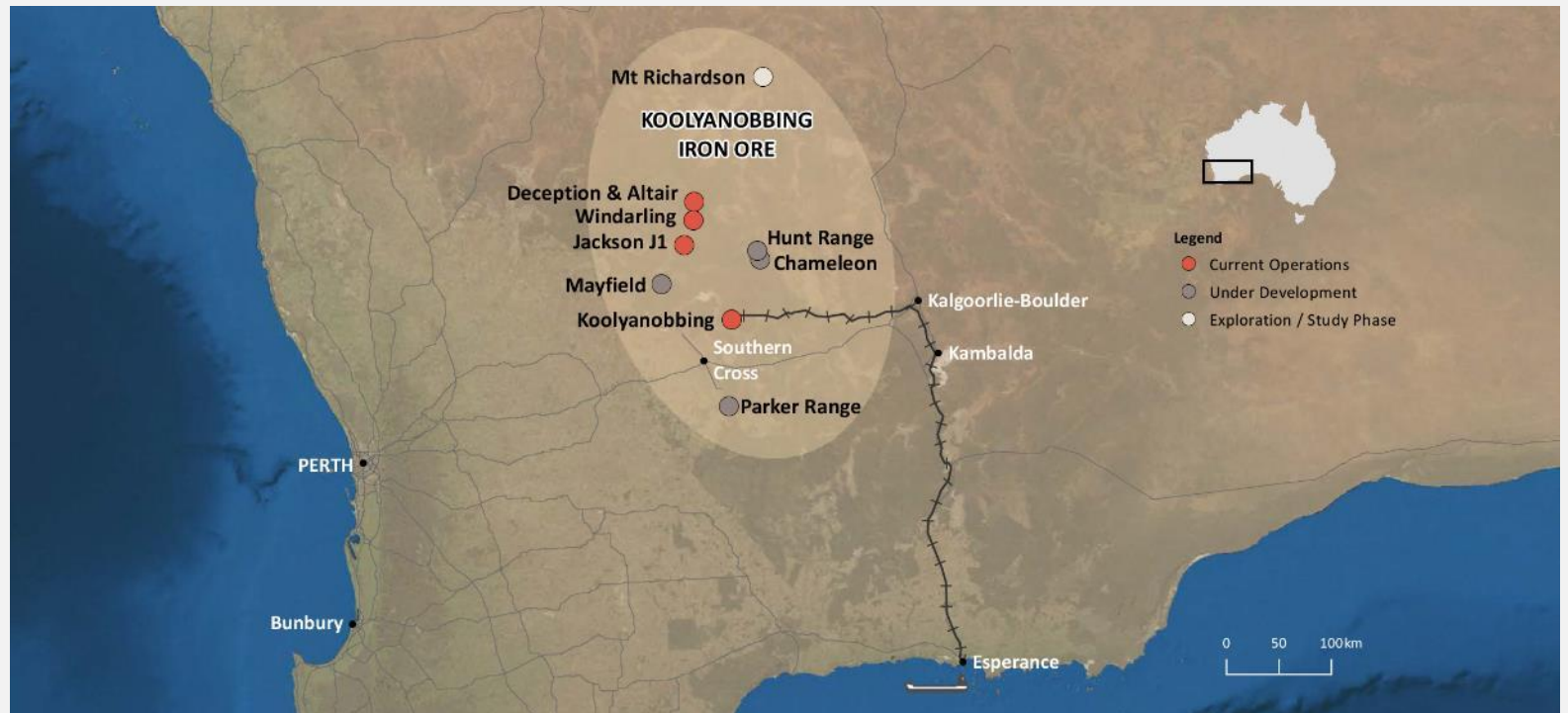
# Koolyanobbing

## Project Overview

- Open pit Iron Ore operation, located in Western Australia
- Located immediately adjacent to MRL's Carina Iron Ore Project (now in care and maintenance)
- MRL acquired 100% of the project in June 2018 for an undisclosed sum
- Fixed plant, mobile equipment and rail rolling stock from Carina Project transferred to Koolyanobbing
- Project produces Lump and Fines products and is currently targeting an annual production run-rate of 11Mt (wet) in Q3 FY20
- Ore hauled 580kms by rail to Port of Esperance, then exported via Capesize carriers to customers in China
- Project has subcontracted mining, crushing, camp and logistics management to MRL Mining Services under a BOO life-of-mine contract
- Koolyanobbing's operating costs are inclusive of MRL Mining Services margins

### RESERVES & RESOURCES (100% basis at June 2019)

Category	Ore (Mt)	Fe grade (%)
Proven	13.8	57.1%
Probable	27.0	58.8%
<b>Total reserves</b>	<b>40.8</b>	<b>58.2%</b>
Measured	25.7	55.7%
Indicated	61.7	57.5%
Inferred	21.2	56.2%
<b>Total resources (inc. reserves)</b>	<b>108.6</b>	<b>56.8%</b>



# Iron Valley

## Project Overview

- Open pit Iron Ore operation, located in Western Australia
- Iron Valley held on tenements owned by BCI Minerals Ltd (BCI)
- MRL operates mine at cost and has exclusive right to purchase actual production tonnes at mine gate for life-of-mine
- BCI entitled to sliding scale mine gate payment, linked to achieved sales price for product sold
- Project produces Lump and Fines products and is currently targeting an annual production run-rate of 8Mt (wet) by end FY20. The levels of impurities in the ore have increased over time
- Ore is delivered 350kms by road train to Utah Point in Port Hedland, then exported via Minicape and Post-Panamax carriers to customers in China
- Project has subcontracted crushing and camp management to MRL Mining Services under a BOO life-of-mine contract
- Iron Valley operating costs are inclusive of MRL Mining Services margins



### RESERVES & RESOURCES (100% basis at June 2019)

Category	Ore (Mt)	Fe grade (%)
Proved	56.9	58.2%
Probable	32.2	58.6%
<b>Total reserves</b>	<b>89.0</b>	<b>58.3%</b>
Measured	86.4	57.7%
Indicated	77.4	58.5%
Inferred	26.1	57.8%
<b>Total resources (inc. reserves)</b>	<b>189.9</b>	<b>58.0%</b>



# Mt Marion

## Project Overview

- Open pit Lithium hard rock operation, located in Western Australia
- Structured as a 50:50 incorporated JV with Jiangxi Ganfeng Lithium Co. ("Ganfeng"), with an expected mine life of 20+ years
- Project produces 6% and 4% Spodumene Concentrate products at an annual run-rate of approximately 380Kt (wet)
- All products produced currently sold to Ganfeng under life-of-mine offtake priced on a formula applied to market prices of Lithium Carbonate and Lithium Hydroxide in previous calendar quarter
- Post February 2020, MRL has option to take up to 51% of total project production under an offtake agreement in any one year
- MRL manages and operates the project under a BOO life-of-mine Mining Services contact
- Mt Marion operating costs are inclusive of MRL Mining Services margins
- Product is hauled 350kms by road train to Port of Esperance, where it is exported via Handysize carriers to Ganfeng facilities in China



## RESERVES & RESOURCES (100% basis at October 2018)

Category	Ore (Mt)	Li <sub>2</sub> O grade (%)
Indicated	22.7	1.34%
Inferred	48.7	1.38%
<b>Total resources</b>	<b>71.3</b>	<b>1.37%</b>





# Wodgina

## Project Overview

- Lithium hard rock operation located in Western Australia
- Project structured as a 40:60 unincorporated JV with Albemarle Corporation (“Albemarle”)
- World’s largest known hard rock Lithium resource on total tonnes basis, with an expected mine life of 30+ years
- Lithium Direct Ship Ore (DSO) operations commenced in April 2017, with ore hauled 110km by road train to Utah Port in Port Hedland where it was exported to customers in China
- DSO export voluntarily ceased in October 2018 to retain ore for higher value Spodumene Concentrate and Lithium Hydroxide
- Construction of Spodumene Concentrate plant complete with name plate capacity of 750Ktpa (dry) of 6% Spodumene Concentrate (based on 5.65Mt (wet) of ore feed and 65% recovery)
- Plant comprises 3 parallel trains each with a capacity of 250Ktpa. Infrastructure capable of supporting fourth 250Ktpa train
- Project has subcontracted crushing, camp and logistics management services to MRL on a BOO life-of-mine Mining Services contract
- Project currently in care and maintenance



### RESERVES & RESOURCES (100% basis at October 2018)

Category	Ore (Mt)	Li <sub>2</sub> O grade (%)
Probable	151.9	1.17%
<b>Total reserves</b>	<b>152</b>	<b>1.17%</b>
Indicated	196.9	1.17%
Inferred	62.2	1.16%
<b>Total resources (inc. reserves)</b>	<b>259.2</b>	<b>1.17%</b>



# Definitions

<b>1H</b>	First half
<b>2H</b>	Second half
<b>\$</b>	Australian dollar
<b>US\$</b>	United States dollar
<b>CFR</b>	Cost and freight rate
<b>CFR cost</b>	Operating costs of mining, processing, rail/road haulage, port, freight and royalties, including mining infrastructure service agreements with MRL Group entities, direct administration costs, and an apportionment of corporate and centralised overheads
<b>DMT</b>	Dry metric tonnes
<b>EBIT</b>	Earnings before interest and tax
<b>EBITDA</b>	Earnings before interest, tax, depreciation and amortization
<b>FY</b>	Full year
<b>Gross debt</b>	Total borrowings and finance lease liabilities
<b>Gross gearing</b>	Gross debt / (gross debt + equity)

<b>K</b>	Thousand
<b>M</b>	Million
<b>Net debt / (cash)</b>	Gross debt less cash and cash equivalents
<b>NPAT</b>	Net profit after tax
<b>PBT</b>	Profit before tax
<b>pcp</b>	Prior corresponding period
<b>T or t</b>	Wet metric tonnes unless otherwise stated
<b>TRIFR</b>	Total Recordable Injury Frequency Rate per million hours worked
<b>Underlying EBIT</b>	EBIT adjusted for the impact of one-off, non-cash gains or losses, and the profit on the Wodgina sale
<b>Underlying EBITDA</b>	EBITDA adjusted for the impact of one-off, non-cash gains or losses, and the profit on the Wodgina sale
<b>Underlying NPAT</b>	NPAT adjusted for the after tax impact of one-off, non-cash gains or losses, and the profit on the Wodgina sale
<b>WMT</b>	Wet metric tonnes

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