TRANSCRIPTION

Company:	**Mineral Resources**
Date:	**22 August 2019**
Time:	**2:00pm (AEST)**
Duration:	**1 h 16 m**
Reservation Number:	**10000856**

[START OF TRANSCRIPT]

Operator: Thank you for standing by and welcome to the Mineral Resources full year results conference call. All participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. If you wish to ask a question, you will need to press the star key followed by the number 1 on your telephone keypad.

I would now like to hand the conference over to Mr Chris Ellison, Managing Director. Please go ahead.

Chris Ellison: Thanks, Ashleigh. Good afternoon, everyone. Welcome to the Mineral Resources full year results. I'm joined by Mark Wilson, our CFO, and other support staff and I'm going to give you a rundown on our highlights and achievements for 2019. I'll give you an update on our safety performance, I'll talk about the past year in the mining services and the commodities business and I'll give you some - or Mark will come on and give you some details around our financials and then I'll walk you through where we've been on the operations and where we're heading over the near-to-midterm over the next 12 to 18 months.

Key headlines for the business over the 12 months that we've just been through - our largest growth period on record. We've invested - I was going to say we've spent a lot of capital but we've invested heavily in some businesses that are going to see us through for the next 20 to 50 years. We've put in some fairly amazing facilities and plants and processes and we'll reap the rewards of those going forward. We've spent about $900 million. Most of that has gone into lithium, some of it to iron ore and a little bit lesser to our mining services part of our business.

I think that that investment has probably put us into one of the best lithium assets in the world combined with the two operations we've got both at Wodgina and Mt Marion and potential on where we're going to end up in ownership in hydroxide with our new joint venture partners in Albemarle. We went over to the US and we raised US$700 million in a US bond, unsecured, and at the end of the year we actually managed to turn a profit yet again, so we've turned out a $430 million EBITDA, so always nice to finish the year and make some money.

The lithium business, Wodgina, we are about 86% complete at 30 June. We've got Train 1 commissioned, Train 1 of three Trains. Mt Marion is mostly complete. We've got a good life sitting ahead of it of more than 20 years. In the iron ore we took over the Cliffs operations down in Koolyanobbing, which is now our main hub for processing iron ore. Iron Valley has stayed at a steady state and we've expanded our iron ore investment in the north through Kumina and Marillana deposit that we have joined up with the guys from Brockman.

The mining services business in the second half grew 39% compared to the first half and we're seeing continued growth in that area, significant growth. The innovation part of our business, our 150-tonne carbon fibre dump truck trays are finally in operation. I'll talk a bit more about these areas later.

The synthetic graphite pilot plant was successfully commissioned in June and it's performed exceptionally well. The light rail continues with third party verification nearing completion and the tedious task of getting all of the approvals for the right of way has been ongoing and we've worked well through that. We've entered into another NextGen plant; the last one was 12 million tonnes; this is now a 15-million tonne, and we're in a joint venture with Metso Minerals, which is probably the premier mining equipment provider in the world.

A few interesting stats on our shareholder value that we have continued to deliver. The directors and employees own about 15% of the business. We're building a business with 20 to 50-year horizons and that's both in the mining services and the commodities parts of the business and we've got a very secure geographical spread across a large part of Australia, which gives us the security of having different weather zones and different things happening in different parts of the country.

Interestingly, if you bought a share in Mineral Resources when we listed in 2006 for $0.90, with the capital growth and the dividends that we've paid it would now be worth about $19.50. We've had annual compound growth of 26% for the past 12 years and we maintained that through GFC and commodities downturns. On average, we've converted 100% of our reported EBITDA to cash since listing in 2006 and we've averaged about 18% return on invested capital since we listed, and we've paid a dividend every six months.

Safety. We're well ahead of the industry standards in this area still but we have not achieved one of the internal goals that we set. We have added, during the past 12 months, 642 new people to the business; it's been challenging. It's taken time to get them to understand and embrace our safety culture. Our TRIFR rate has increased from 2.5 to 3.99, still a good level in our industry and any business would be proud to have that but we're not; we're looking for sub-2.5 but, at the same time, our lost time rate has declined by 24% so a good result in that area. So we've got all hands engaged on the behavioural issues in this area and we've made some good progress over the last quarter in pulling this back to where it belongs.

I'll hand you over now to Mark to address you on the financial performance then I'll come back to you afterwards.

Mark Wilson: Thank you, Chris and good afternoon, everybody. As Chris has said, it's been a very significant year for Mineral Resources as we invest for the future. Focus has been on investment to drive long-term income streams of the Company, building on the high-quality portfolio of mining services contracts that have been at the heart or the core of the business over the last 25 years. The year has also been very significant because it's enabled us to ensure that we're well-positioned for further growth into the future with some of the initiatives that we've taken, which I'll touch on later.

Just before I get into the detail, I'll give you a little bit of context, just some backdrop. In 2019, FY19, the market has provided quite a volatile backdrop for our business. At the start of the year, we were selling lithium to our joint venture partner out at Marion for US$1070 a tonne; by the end of the year that had dropped to US$682 a tonne, so the decline for us is 36% in the year. On the other hand, iron ore prices in July, at the start of the year, we were averaging just about US$64 a tonne; by the end of the year that had increased to US$109 a tonne, so an increase of 70%. So, significant changes in the core commodity prices for us.

As we've previously mentioned a number of times, early in the year we stopped our DSO operation at Wodgina and in FY18 those sales contributed $174 million of EBITDA in addition to mining services income. As we've disclosed previously, we made that decision to preserve the value of the ore body for future down-streaming. Despite that decision around Wodgina and despite the soft lithium prices over the year, Group, as Chris said, has delivered a strong result with $433 million of normalised EBITDA, and I believe that's a testimony to the resilience of the Group's business model.

I will now unpack the results for the year in a little bit more detail. The year saw our revenue come in at about $1.5 billion with the second half contributing almost $1 billion of that. Statutory EBITDA was $386 million; the major difference to the normalised number that we cite is the unrealised fair value adjustment on the investment that we have in Pilbara Minerals. Normalised EBITDA was down around 14% on the prior year for the reasons I have given a few minutes ago.

Normalised NPAT was $205 million and off the back of the result announced today, the Directors have declared a second half fully-franked dividend of $0.31 per share, bringing the total for the year to $0.44. To assist investors and analysts, for the first time we've included comprehensive information in the appendix to our pack to help you understand the business in more detail, including a full reconciliation of non-IFRS-related information.

In terms of the P&L, we set out in the deck, the investor deck - it's on the platform today - a little bit of detail around that. The second half normalised EBITDA was around $330 million, which is a strong performance in the half, that reflected the initial contribution from Koolyanobbing, the first six months of operation, as Chris mentioned, along with stronger iron ore prices and some additional margins from external mining services contracts. I'll point out that

$330 million of EBITDA was achieved with no lithium sales recognised out of Wodgina in the half.

Delays at Wodgina did impact the results for the mining services business. We also had a few delays in the start-up with some of the external contracts that we had expected to come online earlier and, therefore, the mining services business itself came in below our expectations at $209 million for the year, but I see that as a timing issue rather than a permanent issue.

One thing that became apparent during the course of the year, to me in my first year in the business here, is that we were under-recovering on some of our plant rates within our internal operations, with the effect that our mining services business has been subsidising our mining business and our internal projects have taken steps to address that going forward.

In terms of operating costs, they were generally in line with where they were in the prior year. We're starting to now see some increased pressure on costs as the market, particularly in WA, heats up. Again, depreciation was broadly in line with the prior year. We haven't begun to depreciate the significant investment made during the year, as that's now complete, largely complete, depreciation will grow in FY20. Interest costs were higher during the period, as we debt-funded the significant investment made and our effective tax rate remained about 30%.

We've included in this presentation a bridge to help reconcile movements in EBITDA between FY18 and FY19. Largely or most significantly, you can see a significant movement out of lithium and into iron ore in terms of the contributions. The iron ore increase has been driven not only by the higher prices that I mentioned, but also a further 1.2 million tonnes that we shipped over the course of the year compared to the prior year.

In terms of our cash flows we've set them out in some detail. Total capital outlay for the year ended at $858 million of which $781 million was on CapEx and $77 million on investments. There's a little bit more breakdown a couple of slides later on for that. We did get hit by working capital. We had that in the first half and that continued in the second half as we built up stocks at Koolyabobbing and our receivables balance increased with the higher value of iron ore sales in the half.

As Chris said and I think it's an important point to note, over its history since listing, Mineral Resources has consistently delivered on average 100% cash conversion of its EBITDA. The balance sheet tells the story of the year. It's grown by over 50% during the course of the year, as a result of the investments that we've discussed.

Importantly, we've taken a couple of significant steps over the year to ensure that we've got a strong base for the future. We've moved to sell a portion of the Wodgina asset. We saw it important for our capital base. That's important to us to recycle. It allows us to pursue other opportunities and gives us a bit more diversification. The financial statements do record the Wodgina asset now as held for sale and so, therefore, 60% of the value of that asset is shown in the balance sheet as a current asset, with the balance held as normally would be the case, in plant and equipment.

The second key decision we took over the year was to refinance our debt with the raising in the US, again as Chris mentioned, allowing us to access unsecured funds for eight years. This gives us significant certainty over the next eight years as we continue to explore a range of growth opportunities, and also gives us quick access to further capital should it ever be required.

Gross debt finished the year around $1.1 billion. Just under $200 million of that relates to hire purchase and that gross debt equates to about 2.6 times normalised EBITDA, which is a level that we're comfortable with. Net debt sat at about $872 million at the end of the year.

We've included in the pack a waterfall that shows the builds for the net debt position by year-end. We expect the Albemarle transaction to complete in the current half and, on completion, we expect the business to return to a net cash position.

In summary, the Group is in good shape. We've got a strong core with our mining services business generating annuity style income as it's done for more than two dozen years. We're positioned very well in key commodities. Each has a very strong future. We're continuing to innovate for the future and we're well capitalised to take advantage of the opportunities that exist in front of us.

With that I'll hand back to Chris to take you through more detail regarding the performance in 2019.

Chris Ellison: Thanks, Mark.

I will give you a quick rundown on the past year, where we've been from an operational point of view, where we're looking to take the business over the next 12 to 18 months. Interestingly, I've read a couple of the analyst reports that came out this morning and some of you are very quick. Hayden Bairstow, well done. I was tempted to actually grab your report and use it on this call. You guys have got a good handle. TDM Asset Management. Most of you are getting a bit of a handle on our business, so I hope we're able to give you the detail you need to be able to understand it.

The mining services business, it's robust, it's performing extremely well, it's probably at the best it's ever been. We've had some reasonable growth prospects in it. It's a contracting business. It's the core of the MRL business. It's the heartbeat. It's what gives us our ability to be able to move quickly. It keeps that aggressive nature about us. It's very important to our business. It always has been. It's made up of four core pillars, the crushing and processing which is obviously crushing, screening and beneficiation plants. It's been around for about 25 years. Very robust, long-term solid business. Good annuity stream earnings.

The mining side of the business has grown significantly over the last 12 months in particular. We own an awful lot of yellow goods in that business. We do all our own drill and blast, but mainly through a couple of very select subcontractors but aside from that we own everything else in terms of dump trucks, diggers, dozers, all those sort of things.

Supply chain's the third pillar of the business. It looks after all of our ports in the south and the north. It runs the on and off highway road trains and we have got big numbers of those on the road and we run all our own rail locomotives and wagons. They mainly operate down in the south on the rail around the Koolyanobbing to Esperance region.

Then fourthly, we've got the innovation which is centred around creating unique mining solutions with high barriers to entry. Current projects we've got running under innovation, we've got a NextGen crushing plant which I mentioned. It's a 15 million tonne portable plant. It's a much lower cost than we've produced before. Very innovative using all the quality products from Metso. We've got the carbon fibre manufacturing facility, the lightweight rail system for stranded deposits and large scale synthetic graphite pilot plant and that has a by-product of hydrogen running on the Hazer partnership that we have.

Under the crushing and processing business, as I said, is running extremely well. Our client retention remains extremely high. No loss of contracts over the past 12 months. Crushing commenced at Koolyanobbing at a current run rate today of about 7.5 million tonnes. The Wodgina crushing plant, a big beast, it's probably our biggest crushing plant ever, it's only just got under operation in June this year. We're probably down about 10% on our internal expectations than where we thought we were heading. That's primarily because a couple of our bigger clients out there have had delays through weather and a range of different things, being able to get new operations started but they're not gone. They're still out there in the pipeline and we're still working on them – they're getting closer.

We were awarded two external mining contracts for load and haul which we generally don't do external contracts, unless it's with one of our blue chip customers that really understand our safety culture and the way we run our business. So we've been awarded two. They're running extremely well and they're well above production budgets.

On the supply chain logistics side, we've hauled an extra 12% this year of ore. We're continuing to ramp-up on our Koolyanobbing operations. On the rail and on our highway fleet we're moving up on the tonnes. We're currently now moving all of our Mount Marion spodumene running out of the Esperance port so a bit of a reduction in costs.

Just a couple of graphs that we put in on the performance of the mining service business over the last five years to give you some understanding of how to map that business out. We've consistently had growth of around 13% over the last decade. Our margins have remained consistent and our EBITDA has got compounded annual growth of around 14%.

As a general rule of thumb about every five or so years we double that business in size so that's been running for about 25 years so it's been very consistent. Our current order book is the strongest it's ever been and we have today got an even greater strength in that business in the diversity of it geographically, the clients and the commodity spread, so getting more and more robust.

Commodities business, it's a profit share model that we run. Most of you are aware of that. We take an ownership of an ore body jointly with - generally with a junior and then we provide them with capital and the skill sets that we have in design, construct, operation and product sales. We generally secure right upfront a life-of-mine mining services contract so that we are able to provide our normal mining services right across the board. We get paid priority over that, and then whatever's left we split it in line with percentage ownership.

We currently have four operating mine sites that fall under this category. We've got Iron Valley in the north on the Pilbara producing about 7.5 million tonne of iron ore, about 40% to 60% lump/fine split. Koolyanobbing, which is the old Cliffs assets that we took over down in the south and we've joined them up with the existing iron ore assets we had around Carina. We started down there with a run rate of around 6 million tonnes. That's all producing lump and fines at the 40:60 ratio, similar to Iron Valley.

We've currently increased that run rate to 7.5 million tonnes and Wodgina lithium in the Pilbara, it's the world's largest hard rock deposit and that'll underpin operations for the next 30 to 50 years, and we're just completing a joint venture agreement between Albemarle and Mineral Resources.

Then we have Mount Marion of course in the south and the goldfields. Another world class deposit. It's got more than 20 years of mine life in it and a great partnership with Ganfeng where we own that jointly 50:50.

The commodities performance, the lithium got a little overheated last year. We were getting up to some pretty dizzy heights. We've seen that happen often in the past with the likes of iron ore and other commodities. It happens sometimes but it just got to an unsustainable level. It's always nice to go there but it's never going to last long and I think it just gives the market a lot of unreasonable expectations.

At the same time last year, iron ore was pretty marginal so about this time last year if you were in lithium you were a hero and if you were in iron ore you were a total loser. Today that's turned around a little bit, but in saying that, the lithium's getting back to a more sustainable manageable level, a lot more sensible. It's probably overshot a little bit whereas iron ore's nearly doubled and it's currently cooling its heels again. No one's really sure where those prices are heading.

Mount Marion's been very steady and consistent. We supply under a full life-of-mine offtake agreement with Ganfeng. Our unit costs down there have moved up a little from last year but with the expansion on the plant, we put pressure on the utilities down there. Water supply's an issue because the quality of the water down there is eight to 10 times saltier than normal salt water so up go your costs right across the board on utilities. We're working on that fairly hard at the moment and pulling that back.

Wodgina, the first Train produced in June. Plant commissioning was delayed. We had a bunch of faulty valves in the plant and I've mentioned that last time. It was a bit of an issue, mainly on time, so 12 to 14 weeks to be able to replace all them. They'll all be fixed by the end of this week. We're in a shutdown right now and the last of them are getting changed out so we're going to get back but Train 1's been producing at a reasonably steady state aside from the difficulty these valves have caused, and it's certainly been producing on-spec material.

The first trial shipment is due to go out in mid-September, and that's going to go over to an Albemarle plant and they're going to turn that into hydroxide. Everything is getting to normal on that.

The iron ore - we're very focused on the iron ore business at the moment. We're looking at a whole range of opportunities we have for increasing production.

Koolyanobbing has performed well and certainly to expectations. We finished the financial year with 3.25 million tonnes exported. A bit of a late start-up there in getting the approvals and all of the bits that we anticipated but we've got that. It's running well. Iron Valley is at a steady state of about 7.5 million tonnes a year. In fact, I think this time last year I mentioned that we were stockpiling fines. They were uneconomic to sell. They are all gone. We've moved them all on, sold them all, made some money on them.

So been a good result. But again that's just the nature of the beast with the ore that we mine. We've learned over the years how to survive through the droughts and the hard times and take advantage when the better times come along.

Where are we going over the next 12 or so months? We've provided some guidance on the mining services EBITDA. We've tried to give you some product volumes. You obviously have the costs that we've been running at. So we'll leave you to make up your own mind on how you can pull that together.

We haven't put out anything on production on Wodgina at the moment. We're still working through the commissioning on that plant. We're looking to get closed off with Albemarle in the very short term. We're going to be operating that operation out there based on how the joint venture sees the best way forward. We'll be watching the market demand so we're certainly not going to go and produce more than we think the market can handle. We are, like everyone else, we're getting an understanding of what that looks like moving forward.

With the completion of our major construction projects, both at Wodgina and the upgrade work we've done down at Mt Marion, capital is going to be way, way down this year on what we were spending last year obviously. We're looking to monetise some of these innovation projects that we've been working on, so that's going to be a focus going forward over the next 12 months. What we expect as normal we will probably be able to give you a little more guidance on where we're going around AGM time. Given another month or two, we hope that we're going to get a better feel on where these commodity prices are heading. But at the moment they're fairly bumpy, and I think everyone would agree it's pretty unpredictable.

So in the mining services outlook, we're certainly seeing some heightened activity out there both in the crushing and the mining side. We have some unfinished business from the last financial year that we're moving forward with in some discussions. We're hopeful of being able to close that out. I mean there won't be any problem in getting our 15% growth year on year that we get, but it could be significantly better than that if the world stays in a steady state.

We're going to increase the Koolyanobbing run rate by 4 million tonnes. So that's from 7.5 million tonnes up to 11.5 million tonnes. We want to have that done before Christmas. We've got most of the bits in place for that to happen.

We've got a couple of contracts out there in the crushing area. We hope that will increase the external service out there by about an extra 18 million tonnes this year. We have, of course, a new partnership with Metso on our innovation side, so we have developed a 15 million tonnes portable crushing plant. It's a lower capital cost than we've seen before even compared to our 12 million tonne plants. It's about a 12 week time to be able to get them to site and get them operating.

MRL will market and operate all of the plants in Australia. Metso will be looking at the global marketing. MRL owns all the IP on this equipment. We expect to commence building the first plant around November, so quite exciting for our mining services business.

On the supply chain side we're going to add currently about 390 extra wagons and 5 extra locos. We're going to put on about another 14 of the big off-highway 250 tonne trucks and about another 28 on-highway trucks to meet the commodities haulage that we've got to get through.

Plant commodities production - Mt Marion it will be at a steady state. It's probably going to sit around 340 tonnes or 360 tonnes over this financial year. There will be a bit of 4% in there. Ganfeng like it. They've got a plant set up to consume that. So they'll want us to keep supplying some of that material to them. As we said earlier, we are looking at getting some cost reductions down there over the next few months. That's mainly around optimising the water and the power supply.

We're upgrading the tails yet again. Our aim is to have all of our tails down there dry-stacked, so no use for tailings dams and trying to be more conservative with water usage around that plant. We're going to carry that through all our plants as a matter of course for being a lot more environmentally responsible.

Wodgina crushing plant as I said earlier, it's complete and operating. Delays - we're getting over those mechanical issues that we had. All three Trains will be complete on construction by the end of September. Train 1, as I said earlier, is running well, save for these mechanical unreliability issues that we had. We'll continue to work through the commissioning phase to the end of this calendar year on those Trains.

Our brand new airport to take A320 jets is ready, willing to accept jets. We're just working through with the authorities to get that approved. We'll be landing our own planes on the runway come October. Huge cost saving and even more importantly, we're going to get all of those people off those highways up there, that 120 kilometre run each way. We'll be able to get our people, not only safely home, but we'll get them home quicker to their families as well. They'll step off the plane and step straight into the plant so we don't have to turn it off. Good result with that.

Koolyanobbing - we're expecting to export this financial year somewhere between 8 million tonnes and 9 million tonnes. But as I said, we're going to have a 4 million tonne increase in our run rate from now through until the end of November, early December. So we should get close to 9 million tonnes out of that operation. Again 40% lump, 60% fines. We're currently working through the life-of-mine planning in that area. But we look like we've got well in excess of six years at that higher run rate.

Iron Valley - it will continue to run at its steady state. But as I always say - a little precursor over that operation - it's a high cost. We're running a lot of road trains a long, long way - 320 kilometres. High impurities in that ore. So we are always optimistic with that operation, but it's been running a long time and ironically it keeps going.

Tailings storage facilities - just a quick word. We had a recent media article, totally inaccurate. Someone obviously had nothing to do when they wrote it, but we immediately reacted as all should. We engaged a third party expert, a hydrogeology consultant, AQ2. Once engaged, they were sent to site. They went through, they've done a full report for us. It's available on our website. But the tailings dam is operating to design criteria as expected. It's done nothing unexpected. Very happy with it. It was also designed by an external expert party when we built that. We had that same party on site, witnessed the construction of it and signed off on it. So no problems at all with our tailings dam at Wodgina.

Just an update on the JV with Albemarle. So you would have read that back in August we made a few variations to that agreement. We've changed it. It's now at 60%, 40% Albemarle, MRL JV. I'm sure you're all aware of it and you've read it, but the agreement was revised on the basis that, from the MinRes, side we wanted to get earlier engagement in the production of lithium hydroxide and in the value-add for this lithium product that we're mining both at Wodgina and at Mt Marion. The best value-add for it is being able to create the lithium hydroxide or carbonate. We think more on the hydroxide side. That's where the real value is.

So by just selling spodumene we're giving away a lot of value. By just selling as we said here a year or so ago, just selling DSO is giving away 4 times more value, so we want to get to the value-add end of the food chain. We're looking to establish a 50-year type business. We've achieved that, a great partner in Albemarle. They have got huge skill sets, but they're going to be controlling it from a marketing point of view and from the ability for them to produce the design on a high-quality chemical plant which they're currently building at Kemerton. So we end up owning 40% of that. They also give us a cheque for $820 million. That all happens 5 days after we get the final approval that we're waiting on from the authorities. We think that's going to be well before Christmas.

So everything we've had out of those approvals we're waiting on have been very positive, and so they should be. This adds a lot of value, not just to Australia, but it adds value to the world, and the quality of the product that we can produce to whoever wants to buy it. So I think a good joint venture, a really good result for us. I think finally on that too, on both our side and Albemarle's, we have been able to reduce the capital spend going forward, which is important because we want to be able to grow that business in line with market expectations. That's based on supply-demand. We need some more time to just understand exactly what that looks like.

Update on our iron ore - we've got a couple of projects in the North - Marillana and Kumina. We continue to work on them. We've got a camp at Kumina. We've got people there. We've got them on the ground. We're about to start a fairly decent drilling program out there. On the Marillana iron ore project, we continue to work through and get approvals and to get our right-of-way cleared up there for light rail. So all of that is just going through the normal time it takes to get these approvals.

Energy initiatives - as always, we're really committed to reducing our environmental footprint. The most obvious way we can do that is to reduce the reliance that we have on diesel fuel. It's the biggest pollutant we put into the atmosphere. We need to get to a point where we don't use much diesel somewhere down the track in the future. We're trying to change over wherever we can with both natural gas and LNG.

We've got some battery storage that we keep growing in different areas where we can take spikes out of demand and run less generators. We've installed solar power in a whole range of areas. So the initiatives we've just worked through and we're finalising, will reduce a further 29,000 tonnes of CO2 emissions from the atmosphere that we're currently pumping into the air. So we'll continue to work on that moving forward.

On the oil and gas front we've got extensive tenements in the Perth Basin, some very prospective areas out there. We're involved in stakeholder engagement. We have a plan on what we're doing out there. We're working through seismic and we're going to drill some holes out there within the next year.

Finally, on the innovation - a bit more colour around that - we do that because we're continually looking for new ideas so we can get smarter and better at what we do. We can reduce costs. We looked at doing that through patented technology. We're also looking to grow our annuity streams. To do that we've got to be a bit smarter. We've got to have patented ideas. We've got to have areas where we can create business that's high barriers to entry and, in doing that means we're providing a very unique service to our customers, and in a lot of areas, customers that we have out there have explicit trust in us because we run our safety and our equipment extremely well.

We take pride in that and we only want to work with companies and customers that appreciate what you need to do to be able to bring your people home safe and have that safe production. So the projects we're working through at the moment as I've said, the Metso crushing plant going well, the light rail system - it's taken time on that with the third-party verifications we've had to go through for design engineering on that and, most importantly, to get these approvals done.

There's no showstoppers out there. It's all going in the right direction but we'd like to think that somewhere down the track in the next 12 months or so, we can actually start building something. Carbon fibre is going well. We have produced five 150-tonne dump trucks so far. Two of them are on site running around at Koolyanobbing. The other three will be there by the end of this month. So we'll have five dump trucks continually loading and hauling on those trays. The original manufacturer makes a 31-tonne tray to go on their 150-tonne dump trucks. Ours weighs 8.5 tonnes, so we've got an extra 22.5 tonnes that we're hauling on every load that comes out of the pits. The capital cost on these trays has been challenging. We're not near where we need to be on the capital cost of them to make them commercial, where we want them to be. We're continuing on that. There's a lot of work to be done on it but we're getting the results we want from a weight-saving point of view. We are about to start work on the next tray which is going to be a 200-tonne dump truck tray and greater weight savings again.

Synthetic graphite plant - we've developed that - it's turned out very successful. We were looking for 92% purity in the graphite and we've been sitting around 96%. So great result. We're continuing to run that test operation and go through a whole range of different tests to make sure we understand it well but the next step is to go and try and build a commercial plant. So, I mean I think that fairly much closes out on the business where we're going.

Firstly, I'd just like to thank the staff of Mineral Resources. It's been a challenging 12 months for them. It's been a tough road to get through all of the challenges we've had in front of us and they've done it extremely well. We've got a very dedicated, hard-working staff and workforce right across the business. We've been up around 3500 people, and they've all pulled their weight extremely well.

Our results this year also reflect the strategic directions and decisions which have been put in place over the years. We're being able to be more consistent on what we're being able to do. We're growing those operations and I need to thank our Board for the guidance and support they've given. We've got a very, very strong Board and a very diverse Board that understands our business very well.

Finally, a lot of work has been done internally and by the Board in our REM committee around our remuneration structure.

You know we're becoming famous for being the most voted down company on the ASX and we are working very hard to try and turn that around. We've been engaged with the proxy advisors, we've redone everything and we have reduced my base salary, so I am now working for a lot less, which I'm happy to do, and out of all of that, we need a "Yes" vote, so if you could all just vote "Yes" I'd be eternally grateful. If you don't, I'll come back to you with another discussion.

So look thanks everyone. Thanks for your support. Thanks for buying our shares. We'd like to see you buy more, but now we'll open up for some questions.

Operator: Thank you. If you wish to ask a questions please press star 1 on your telephone and wait for your name to be announced. If you wish to cancel your request, please press star 2. If you are on a speaker phone, please pick up the hand set to ask your question. We ask you to please keep to one question per person after which, you may re-register if you wish to ask another. Your first question today comes from Rahul Anand with Morgan Stanley. Please go ahead.

Rahul Anand: Hi Chris and team, thanks for the opportunity. Considering it is only one question at a time, I might take the longer one then. In terms of the iron ore assets, firstly you did talk a bit about how you might get six years at the 11.5 million tonne per annum. If you can emphasise on when some results are perhaps expected out of the resource and then, thinking with the iron ore business, how are we thinking about these costs, basically rising at this point in time? Achieved prices are at about $120. We did about $75 for the year. If iron ore comes back, how do we think about past FY20 these costs going forward, both Iron Valley and Koolyanobbing really.

Chris Ellison: Yes, look, Koolyanobbing you're looking at low tonnes on start-up so those initial start-up costs are always higher than you'd like, but necessary. Obviously, in the commodities business Rahul, the more tonnes you get out of those fixed assets, the better we can do. Others like rail and port and the like, they're all fixed per tonne, but our costs we think we'll be able to work on them, certainly down in the Yilgarn region.

The Iron Valley is much tougher, we run that operation fairly lean and mean. Our costs to bore onto a road train out there is extremely low on any standard, we just have that mine-gate to port is that big cost. That's a bit of a killer I think, I've often quoted that as $25 to $27 a tonne, so you add that to all of those other bits and it's hard. So that one always remains on the cusp but in saying that, we've kept it going a long time. I think the short answer is, don't expect any cost reductions in the north until we can put it on rail, and we're working on that and we're going to get there. Down in the south, we'll be chipping away at those and there's a few areas down there that we can get some savings, but remembering that the quality of the ore that we've got in the south is a little bit better as well. The lump/fines ratio mix is pretty good and overall I don't see any issues with that Yilgarn business.

Operator: Your next question comes from Victor Ismailovic, who is a private investor. Please go ahead.

Victor Ismailovic: Thank you, gentlemen. Very appreciative for that presentation. Could I ask you, please, what is the average cost of production per tonne for the iron ore and how much of your revenues in total, percentage terms, does the iron ore constitute? Thank you.

Mark Wilson: The average cost we summarised in the deck; it's about $75 roughly per tonne and as Chris said, we expect that cost to stay there or thereabouts, possibly go up, up to 5% on Iron Valley. There will be a marginal cost increase out of Koolyanobbing as a result of the additional third-party equipment that we need to ramp up to the 11.5 million tonnes. We do get to spread those tonnes over - or that increased number tonnes over the fixed base, but we're also moving the tonnes from further distance as well, so there are a range of variables there that lead us to that outcome.

In terms of our revenue, well, it changes. Iron ore is off again today, so it's very difficult to give a sense as to what that will be going forward, but in terms of metrics, we're talking about 8 million to 9 million tonnes of export this year out of Koolyanobbing, and less than that out of Iron Valley. Then we've realised about A$90 on average, taking into account all the discounts and so on based on where iron ore was over last year, so you can do that maths - you get 90 times by the 16 million or so tonnes, so it's over $1 billion just going through the iron ore.

Operator: Your next question comes from Rahul Anand with Morgan Stanley. Please go ahead.

Rahul Anand: Hi, back again. Sorry, Chris, I didn’t get the answer for the first one also relating to the mine life at Kooly and how we're thinking about that.

Chris Ellison: Sorry, okay. What we're working through at the moment…

[Over speaking]

Chris Ellison: Sorry.

Rahul Anand: Sorry, go ahead.

Chris Ellison: What I quoted in terms of life-of-mine down there, that wasn’t a loose statement. We've gone through down there, obviously through mine planning and we've had a good look at all of the deposits we've got down in that region between both the newly-acquired Cliffs assets and the Carina assets, if you like, that we used to have down there, so we've bunched them together. We've just recently gone down the path where we're moving to acquire the Parker Range deposit and we're working through - there's some other, let's say blue sky, even beyond what I'm talking about in that region, so we've mapped out where they are. We'll be able to release, not too far down the track, a bit of a roadmap that sets that out.

Rahul Anand: Okay, understood. If we could then move to Mt Marion perhaps, I just wanted to understand - next year's production obviously lower than this year, perhaps a bit of plant alignment going on once you've set up the [100%, 6%] product and also the water studies like you mentioned. Beyond FY20, are we still looking at a run rate of around that 450 mark, all 6%, for Mount Marion, or is there a bit of a change there?

Chris Ellison: No, I think it's going to be closer to 400,000. There's a change down there and there's a balance between our ambitions and reality, let's say. The whole thing is capable of 450,000 but the cost of supplying the water and the power to generate the water to get the de-sal running and that whole balance is less than 450,000. It's probably 380,000 to 400,000. So yes, it's been a difficult process down there trying to find that water, and then keep it near and try and keep it clean, has been challenging. Hence the reason that we've pulled back.

Then secondly, there is a supply-demand issue sitting out there at the moment, as well across the planet, as you know, so we don't want to oversupply our offtake partner. Also, they have a plant that they set up some time ago and they've really got to like that 4% and they've asked us to keep producing that to them in the short-to-medium term. There's no definitive answer; I can't tell you how long that's going to last. They're enjoying it at the moment, they're doing well off it, so the 4% will keep going. We probably won't go beyond 400,000 tonnes, and we hope to have all that finalised down there by around about Christmas and that spend should finish down there. It's not significant but it's just, you've got to do one thing before you get to the next. I hope that gives you a bit more clarity.

Operator: Your next question comes from Michael Murphy with Perpetual. Please go ahead.

Michael Murphy: Hey there. I was wondering if I could just get some colour on how the cash that will be raised from the Wodgina sale will be used, say if it will be kept on the balance sheet or if it will be used to pay dividends or pay down debt. Thank you.

Chris Ellison: No, we're going to bank it and invest it. We're hoping to continue to get that 18% return for our shareholders. I'd hate to give it back to them at the moment and let them have to put it in the bank at 1%. Mark, you might want to add to that.

Mark Wilson: Hi, Michael. It's Mark. Thanks for the question. We've been clear all the way along that the proceeds from the sale will be used to reinvest inside the business. We've got a range of opportunities in front of us. We'll be disciplined with it; we're not going to rush into it. As Chris said, we've got a strong track record that we can point to, in terms of being able to apply capital well, and we see significant opportunity in the market today in front of us. So we'll be investing it.

Operator: Your next question comes from Joshua Tan with ICBM Capital. Please go ahead.

Joshua Tan: Hi, guys. Thanks for taking my question. Can I just ask about transport and freight cost, because that's actually come down quite significantly from your previous results. You guys used to average about sometimes more than 30 percentage points of revenue but now it's down to 24. Can I ask whether that - or how that happened and whether that's sustainable going forward?

Chris Ellison: We might have to get back to you on that. I haven't seen that come down, Mark.

Mark Wilson: I think the answer will be that the transportation cost for Koolyanobbing is significantly less than it is on the road out of Iron Valley. What's happened, Josh - sorry, it's Mark speaking - what's happened of course is that through the year for the first time we started producing out of Koolyanobbing over this half and that's put 3.5 million, 3.25 million tonnes through the port down south. The rail costs of transportation down there are significantly less than the road trains up in Iron Valley where we're paying $25-plus a tonne. I think that will be the answer for you.

Operator: Your next question comes from James Christmas Douglas Hansen with JCD Hansen Super Fund. Please go ahead.

Question: (James Christmas Douglas Hanson, JCD Hansen Super Fund) Good afternoon, Chris and all. I compliment you on your good work and the excellent results you're producing. With respect to the 90% purity in your graphite, do you see a future for this in some battery operation or perhaps in relation to your own activities using batteries and solar power to obviate a lot of diesel and other - even natural gas usage?

Chris Ellison: Yes. I think that we see the value of the graphite just as a product that we can sell to our battery-making customers and that would probably - we'd probably be working with Albemarle on that. More importantly though, with that product, hydrogen is the by-product that comes off that plant and what we're trying to do is we're trying to develop cleaner sources of fuel.

So, if we can put these commercial plants on remote sites, produce high-quality graphite, synthetic graphite that we can sell to our customers, it's not a big transport cost because there's not big volumes, but the by-product of that being hydrogen, if we can initially feed that into our power stations you'd have a clean-burning fuel, it's all going down a path of where we want to head to, so reducing costs, making high-quality product and reducing our carbon footprint and all of that's reduced cost. That's the plan and where we're heading.

Operator: Your next question comes from Stuart McKinnon with *The West Australian*. Please go ahead.

Stuart McKinnon: Good day, Chris, Mark. I just wanted to get your thoughts, Chris, around the plans for Parker Range which you announced yesterday, that you'd struck a deal to take control of. Is the plan to bring that into production as soon as possible or is it more of land-banking exercise to extend the life of Koolyanobbing?

Chris Ellison: No, it's just - look, down in that region there are pods of ore scattered across quite a radius and we're just simply looking at what deposits that we could add to our hub, our processing hub. That works, and it also gives Cazaly some income, but we can blend that product in with our current operations and it just simply extends the life of our operations down in that region. We're looking at a range of those down there as well, not just that one, so if we could blend the products - it's not just a quality blend, but it's also a cost blend. If we can get outlying ore with closer ore and get our average price to something that's economic and we can keep that operation running down there, we might be able to - we're confident we can go more than six years in that region.

Operator: Once again, if you wish to ask a question, please press star-1 on your telephone and wait for your name to be announced.

Your next question comes from Brad Thompson with the *Australian Financial Review*. Please go ahead.

Brad Thompson: Hi, Chris. Thanks for taking the call. Just wondering about the economics of sending spodumene down from Wodgina to Kemerton. Is that something that you're having a look at and will that prove effective?

Chris Ellison: Yes. Look, there's a range of ways of getting it down, not just on trucks. We're very close to the largest port in the world. We're working out what the best economic way is of doing that and we'll work that over the next six or so months, Brad. But getting from selling spod to being able to produce hydroxide, from a Mineral Resources point of view, was the most important thing, so I'm not quite sure - if you stand back and have a look at what Mineral Resources have ended up with, we're a mining services business, geographically spread.

We've got a reasonable little portfolio of iron ore assets, that we work very hard to make good money out of but we achieve it year-on-year. If you have a look at the lithium business, we've got a 50:50 JV with a 20 to 30-year mine life down at Mount Marion, very good partner in Ganfeng. That's forever going to go offshore and be processed, and we've got a 40% share of the Wodgina and the Kemerton site, so that was our aim to get that lithium business that fits in Mineral Resources to about the right size. I didn't want to have all of Wodgina because that put us really overweight in lithium.

I also wanted to make sure that having the skill set of Albemarle with their processing background. They're out there running a number of hydroxide plants and they've got a very long reach on marketing, so we're part of all of that. That's the big picture. The detail on how we move this stuff around, we'll come up with the right answers on that. That's not an issue. It'll work.

We've got other options. Building at Wodgina, it's an option going forward. Building somewhere else is an option going forward. I think that we're simply sitting here on the cusp of a lot of opportunity on how to develop this downstream processing around the whole power storage market, and that's just one of our many opportunities and we've got a balance sheet to do that.

Operator: Your next question comes from Brendan Waller with Intralink. Please go ahead.

Brendan Waller: G'day Chris. G'day Mark. Thanks very much for the presentation. Chris, I think in your opening remarks you mentioned some costs around Mount Marion and then subject to another question, I think you were talking about CapEx so I may have missed what you said re the cost outlook given the guidance on tonnes. Last year was 620, the year before I think it was high 500s per tonne. What are you thinking about this year in terms of costs at Mount Marion?

Mark Wilson: Brendan, hi, it's Mark. In the deck we say that we expect costs to be similar to the year that's just passed.

Brendan Waller: Okay, apologies, I missed that. Thanks for updating me. Thanks.

Mark Wilson: No problem.

Operator: Your next question comes from Michael Murphy with Perpetual. Please go ahead.

Question: (Michael Murphy, Perpetual) Hi there. I just wanted to get some colour around why there was a change in the split of the Wodgina JV from 50:50 to 40:60. Thank you.

Chris Ellison: Yes, Mineral Resources wanted to get to the hydroxide production much, much quicker than where we were heading. We wanted the value in that conversion, that downstream conversion. Both us and Albemarle wanted to make sure that we managed our capital spend going forward and we had a look at ways of being able to do that and we've achieved a significant saving on CapEx over the next two to three years. We wanted the technology that Albemarle brought with them. We wanted to be part of that very quickly.

We've achieved all of those results that we wanted to, and sitting where we are with a 40% shareholding in that joint venture and a 50% shareholding in Mount Marion, we're sitting where we want to probably be with lithium exposure.

Mark Wilson: Michael, it's Mark. If I can add to that, this is a 30-plus year opportunity for us as Chris has said, 30-plus year investment and very clearly, Albemarle have the strength in down-streaming and marketing and it makes sense to them to take that senior role in the JV for that reason over that timeframe.

Operator: Your next question comes from Joshua Tan with ICBM Capital. Please go ahead.

Joshua Tan: Hi guys. Thanks for taking the question again. Just want to go back to the JV with Albemarle at Wodgina because after the new 60:40 agreement, you guys put plans to build a hydroxide plant at Wodgina on the backburner. However, given the immense value add that can be had from converting spodumene to hydroxide, would it make sense to actually not put that on the backburner and go ahead with it? Because also some very credible research houses are forecasting that hydroxide could be in short supply by 2021 and if you start now you'll be just in time.

Chris Ellison: Good question, but that investment opportunity has to compete with other investment opportunities we've got, and then when we weigh them all up we're looking at a sure thing, versus a risk so we put it on the risk/reward scale. We don't have enough confidence in any commodity, to try and forecast where it's going to land that far out when you've got that sort of CapEx you're putting out the door. The CapEx at Wodgina or in any hydroxide plant is significant.

It's just a risk/reward. We think that we can give our shareholders a better return over the next couple of years going forward than take that sort of a gamble. We've got a couple of opportunities that are more significant if you like.

Operator: Your next question comes from Peter Bell with Belmont Securities. Please go ahead.

Peter Bell: Hi guys. Thanks for taking a quick question. I'm just keen on a little bit more colour around BOSS. Do you still have plans to build a test track for that and if so, what sort of timeline for that? Also, you've mentioned previously there has been some interest from some third parties for some shorter lines, so wondering on that progress and finally, I know you were speaking previously about having that stand on its own two feet from a capital perspective. Is that still your plan and are you still looking to do a bit of a run around to speak to some people about the capital on that and if so, when?

Chris Ellison: Okay, good question. BOSS, yes, we had a fairly significant meeting on that yesterday. It's very front and centre. The timeline that it has taken for third party verification engineering sign-off, has taken significantly longer than we expected. I'm starting to feel like we've just developed a Boeing 737X but without the crashes. The timeline on this has certainly kicked out quite a bit. Right now we're developing all of the parts that we need, we're going out to order for the test track, the test track land has been sitting there for some time and it's ready to go. That's on the horizon now. We were hoping we would actually be started on that, so we're even about six weeks further behind on building the test track than we expected but it's all moving in that direction.

Yes, we're doing preliminary work in terms of funding so how would we go out and fund that? We've always told the market we're not going to use any money that we get from the business from Wodgina sale or the like. That'll be standalone. We'll present that to our shareholders with the business case on it. That's a separate item when the time comes and we have done quite a bit of work on how we'll fund that in terms of partnerships and standalone funding going forward.

The answer to that, it's progressing well. We see it as critical to our business, our commodities business in remote locations from two points. One is that some of the deposits that are available to us, we've got to be able to get them from mine site to the coast. That's what defines the bigger businesses with big commodity projects, where they can get them to the coast at a low cost. It's one of the biggest goals that Mineral Resources has got in its sights and yes, there are other opportunities out there with third parties that would like us to install that service, but we can't until we get these other processes complete, sign-off and we have to run the test track to make sure that we verify all of the engineering work that's been done.

Operator: Your next question comes from Rahul Anand with Morgan Stanley. Please go ahead.

Rahul Anand: Hi, thanks for the opportunity again. Just want to touch on mining services for a minute please if I can. Thanks for that extra information. It is genuinely greatly appreciated. One of the slides for this year talked about how the EBITDA this year, in a sustainable sense, was around $216 million and then on top of that you had the construction revenues of around whatever made up the difference, which was about $60 million, $65 million.

What I wanted to understand was, going into next year FY20 and FY21, as those construction revenues decline, how do we think about the sustainable business itself and how should we think about that from a modelling perspective? Obviously Wodgina's going to be there, iron ore you're talking about some expansions, and then also I wanted to understand if there's anything additional from Mount Marion.

Mark Wilson: Hi, Rahul. It's Mark. Thanks for the question. Making sure that I understand the question correctly, but essentially in years past going back to 2013, 2014, those sorts of years, we did some construction work for external clients and we included that margin in the earnings for that division back then. Going forward, today and so on, the only real impact on the mining services that results from construction is, effectively, the overhead costs and the costs associated with construction. We construct for ourselves at cost. We don't play with margin or anything like that.

In terms of the go forward for guidance for mining services which we've got in the deck, that is excluding construction. There might be a small element of historical overheads associated with it, but nothing that you should really allow for in your thinking. I think if you took that number or that range that we've got in the deck, $280 million to $300 million as a guide, then that's where you'd want to start.

Chris Ellison: I think too if I could just add to that, construction's not a profit centre for us. In the past, we've built some plants for selected clients under a special arrangement but, generally speaking, our construction division is really proprietary information that we have, and we only use that internally for our benefit to build our own crushing, processing, beneficiation and, most recently, our lithium plants. It's not a profit centre. They just take the capital and turn it into an operating plant where we retain that IP. We're not building plants externally anymore for clients.

Mark Wilson: We're happy to take it offline with you Rahul and just go through where you're getting your numbers from, make sure that we're squared away. But as Chris said, it's a cost centre.

Operator: There are no further questions at this time. I'll now hand back to Mr Ellison for closing remarks.

Chris Ellison: Okay, thanks very much, Ashleigh. Thanks everyone for joining us and I hope that we are presenting the information in a way where you can take it and you can do something meaningful with it. We're working hard on being able to do that and have more open dialogue with everyone. If you have any questions on any of the issues, more than happy if you want to come back to us separately.

Thanks for joining us. We're on the roadshow in Sydney on Monday and Melbourne on Tuesday, so look forward to catching up with you out there and we'll be able to explain in a little more detail when we get there.

Thanks for joining us and good afternoon.

[END OF TRANSCRIPT]