TRANSCRIPTION

Company: **Mineral Resources**

Date: **9 February 2022**

Duration: **102 Minutes**

Reservation Number: **10018306**

[START OF TRANSCRIPT]

Operator: Ladies and gentlemen, thank you for standing by. Welcome to the Mineral Resources investor call and presentation for the half year 2022 financial results. Please be advised that today's call is being recorded and the presentation contains forecasts and forward-looking information. You should carefully read the disclaimer at the back of the presentation. A copy of the presentation and a transcript of this call will be posted to Mineral Resources' website under the investor presentation page at mineralresources.com.au. We will be starting today's presentation with a video detailing achievements over the past year. Following this, Chris Ellison, Managing Director and Mark Wilson, CFO, will present the half year results.

At the end of the presentation there will be an opportunity for institutional investors, analysts and media to verbally ask questions. If you wish to ask a question via the phone you will need to press the star key followed by the number one on your telephone keypad. If you wish to ask a question via the webcast please type your question into the ask a question box. I will now start today's presentation by playing the half year video.

[Video playing]

Chris Ellison: Good morning. Thanks for joining. This is the Mineral Resources half year results so if that's what you're looking for you've tuned into the right place. I'm Chris Ellison. I'm going to be joined shortly by our CFO, Mark Wilson. We put the video on just to try and give you a little bit of a visual of the size of our operations, the size of the equipment and trying to give you a little more context on what we go through. I think as I'm talking you might be able to relate back to some of that.

It's been a tough first half for us financially. On the other side, it's probably been the most secure - sorry the most successful half the business has ever seen in terms of business development and locking in the future.

I've got quite a bit of detail to go through with you on that down the track. Basically, we've locked in two major iron ore developments. Stage 1 of both those will give us about 50 million tonnes of run rate. We have renegotiated pretty much all of the lithium business with our JV partners. We've locked in mining services contracts. We're looking at double digit growth over the next five years with our services part of the business. We've had a significant gas discovery up in the Perth Basin. We've done all that while COVID has been continuing to disrupt supply and push costs up, keep our borders closed and keep the labour supply at the lowest it's ever been. But COVID is probably coming to WA. We're as prepared for it as we can be.

I think over the last two years Mineral Resources has been well ahead of the game compared to others. We've been leading innovation around how to look after our people and keep them safe through COVID. We're continuing to do that. More recently we've been able to make sure that we know if any of our people have been in contact with others. If we have an outbreak we can very quickly and efficiently control it.

So I'm going to run you through today on the past six months' performance. It will be quite brief. Had we made more money I would have extended that. The plans over the next two to five years, which is really important, and there's a lot of messaging in there for you to pick up on. At the end we'll answer some questions.

So highlights on the first half, we'll give you a rundown there on the underlying EBITDA and the cash position. We've kept the operations COVID-free, which is good. All our sites are operating. Everyone's safety performance in Mineral Resources is simply best in class. Financial results as you can well see they're substantially down on last year but we had the worst iron ore crash in history in terms of the pricing. We've had substantial cost increases, mainly outside the mine gate around energy and shipping and really volatile and unpredictable conditions. But we've still got return on invested capital of nearly 24%. But as I say we've been extremely busy securing the next 30 years future for our business. That's gone exceptionally well.

The safety of our people - I mean as I said, outstanding result considering too, the environment we're operating in. Tough conditions out there. Very difficult securing people. No loss time injuries and our TRIFR is down around about 2.25 which is outstanding for a mining and mining services business when you consider how many people we've got out in the field in a very dangerous environment.

The results are primarily underpinned by the training that we do in-house. It's substantial. It's intense. We do a lot of it. But that training gives people the awareness we need to keep them safe. We've recruited and we continue to recruit a lot of what we call our second gen people - second generation.

So if you've got a son or a daughter, a cousin or someone that's related to someone that's working in the business we think that if people have been in the business for a few years they understand our culture. When they bring their kids in, the kids know the culture and we've been extremely successful with developing this part of our business.

During this year so far, we've trained 197 new entry level employees. They are a mixture of graduates of all sorts - engineering, accounting, apprentices, trainees and operators. We've opened a state-of-the-art simulator training centre which is producing outstanding results for us.

We've got a heavy focus on employee retention. We're looking at making sure that we've got a good environment for them to work in, a great environment in terms of platinum related work environments. We're building out a new office that thanks to COVID has been difficult getting it finished. But we hope to be in there in the next few months. Both the mental and physical wellbeing of our people is a prime focus. It's a daily focus. We've got people from top to bottom making sure that we have the right environment, the right culture for our people.

We are also looking at, as I said earlier, all our new camps going forward being resort-style accommodation, having much bigger rooms, better facilities and able to accommodate couples. We've just recently introduced an employee share plan which has been really well received by a lot of our people.

Sustainability – the past two years the business has grown substantially. But our emissions intensity has reduced by 25%. We are committed to zero emissions. We have a very practical plan in place that we're rolling out continuously. The immediate focus we have is to produce energy from solar wherever we can and support that with gas fired.

Innovation in the business is also driving lower emissions. We're bringing in equipment that can move more tonnes at lower operating use of fuel. The larger hubs around Ashburton and the Pilbara hub that I'm going to talk about, the scale of those will reduce the intensity on a per-tonne basis and they'll be powered substantially by solar and again supported by gas. We are heavily reliant on third parties out there to come along with green energy. When they do that, we'll use whatever becomes available.

Okay, operational performance over the last six months. Mining services again it's been a good story. It continues to grow year on year. We've always had solid growth in the mining services part of our business. Our team are very active in making sure that we're providing a service that's second to none to our customers. Our reputation, our track record and what we do on a daily basis helps us win the future. We're on track for about 15% to 20% growth in this part of our business. The volumes have increased 18% over the last six months. EBITDA is up 20%. Four new contracts added and three renewals.

The iron ore business, it's been brutal over the last six months. We're kind of chasing the price down, managing cost and looking at turning off any high-cost tonnes and dragging out whatever savings we can. Regardless of that, it's the largest price drop in iron ore in history. It literally plummeted US$128 a tonne in 67 days. It cost us during this half $631 million in EBITDA. So that's where most of our pain comes – in fact that's where all of it comes from. The lithium business is going strongly.

Mount Marion – at the moment we've got a high strip ratio in a low yield region of the pit. So production over this half, moving forward and now likely going to be at the bottom end of guidance. I will talk a little bit more about that later. Wodgina, good news coming out of that, we're starting Train 1 and we're well and truly advanced on that.

Down at Kemerton on the hydroxide plant with our joint venture partners, Albemarle, who are developing that, Train 1 is mechanically complete. We've got some feed going in the plant. We expect first sales coming out of that product - there's some work to do on making sure the product is qualified and it's at spec and contested but under the circumstances the team down there have performed extremely well. Then Train 2, mechanical completion will be about the third quarter of this year. That will just follow the same process of feed in and getting the bugs out of it and getting it up to spec. So under the circumstances that's all going pretty well.

I'll let Mark come and talk you through the financials and then I'll come back and we'll share the most important part on where the business is heading.

Mark Wilson: Thanks Chris. Good morning everybody. It's a pleasure to be here with you this morning to take you through the interim results from a financial perspective. Consistent with past practice I'm going to focus my comments on the underlying performance of the business.

Sitting outside of the underlying performance is a post-tax gain of $66 million on our disposal of Pilbara Minerals shares during the half. You can find the full reconciliation of our underlying performance to statutories both in the financial statements themselves, in the notes and in the appendix to the presentation. I would characterise the half from a financial perspective as challenging. As Chris said we've had a significant drop in the iron ore price.

In addition to that, our discounts on the product have widened from an average of 11% in the prior corresponding period to 35% in this half. So that combined impact with prices had a major - major driver on our results. In terms of costs - costs have been under pressure as Chris said. A significant portion of that pressure has been felt outside the mine gate. It is important to understand that those cost pressures aren't necessarily being embedded into our cost structure going forward. Generally, the operational performance has been good in the business, the underlying performance. I think the results show the benefit of the diversification that we have in our business model.

In terms of the next slide, the underlying profit and loss statement - sitting in the profit figures for the half, a strong contribution as Chris said from the mining services business and delivering over $280 million of EBITDA. Lithium has contributed $61 million off the back of a rebound in pricing. We expect that to continue going forward. The iron ore business contributed a net EBITDA loss of $104 million. It's important to recognise that $43 million of that is referrable to the prior period in terms of price adjustments. I want to call out in particular on the costs side, over $200 million increase is sitting outside the mine gate or past the mine gate. That's by reference to the prior corresponding period.

The $150 million impact on shipping. We struggled with shipping in the half. It's been a very, very tight market particularly for the sorts of vessels that we're chartering. We are already starting to see some of those costs come back however. In terms of haulage, post mine gate in particular, $54 million impact against the PCP. That's in large part a function of COVID and the challenges we've had with trying to secure haulage services in Western Australia. Again, I would suggest those cost increases are not going to be embedded in the business going forward.

Given the Group's investment program in front of it and given the results the Board has determined that there would be no interim dividend paid for the period.

The next slide shows the bridge, underlying EBITDA on a PCP basis. You can see on that slide starkly the impact as Chris said of the iron ore price decline, $631 million. You can also see the impact very clearly of the shipping.

Conversely, on the positive side, you can see increased contribution from mining services, as well as the improvement in terms of volume production out of the business. So underlying performance remains solid but hammered by the iron ore price and the costs post mine gate.

In terms of the cashflow slide, historically as a business we've delivered 100% profit conversion to cash. That's what we've typically done over time. This period we've seen an impact in terms of predominantly a growth in inventories on the various sites as we've adjusted our approach to respond to the pricing and so on.

In the half, we also had some sizeable tax and dividend payments that were referable to FY21. You can see on the cash slide continued Capex investment for the future in this period, $403 million.

In terms of the Capex itself, the $400 million is largely split between sustaining and growth. I just want to reinforce that from a business perspective, we're absolutely fixed on ensuring that our investment decisions are going to deliver at least 20% return on invested capital after tax. That position hasn't changed. So all the investment we're doing is to support those or that objective.

In terms of the balance sheet itself, the balance sheet remains very strong. Cash position remains solid, and we are well placed to fund the future growth off the business off the back of our balance sheet. The next five years remain very bright, and the future looks very promising as we move forward to unlock the investments that we have in front of us.

As we develop that cash flow off the back of those strong returns that we expect out of those projects, we will be able to continue to pay fully franked dividends going forward. Thank you. With that, I'll now hand back to Chris.

Chris Ellison: Okay, so let's talk about the future. As I said earlier, this period we've been through over the last six months we've worked extremely hard to secure a range of opportunities. Some of them we've working on for seven or eight years, some of them for three or four and we've managed to pull them all together and get them into a position where they are actually locked in and we know exactly where we're heading.

So this development phase, I'm going to talk about over the next five years, this is not something that we hope will happen or we're thinking we might win at tender. These are all locked in projects. I mean, the business has changed and evolved an awful lot over the last five years. The next five years are going to be way more radical.

We're going to be able to accelerate what we've been doing. We're going to make a lot of changes. There will be a bit of news flow this calendar year coming out of the business as we get things lined up and we're in a position where we can talk more about them.

Look in short, in summary the business, the mining services business, it'll continue to grow at an average of 15% to 20% year on year over the next five years. It has a great list of tier one customers. It delivers to them. It has a great reputation in the market and it also has as good a list of tier one JV partners that were entered into projects where we have the management rights and will be delivering the low cost products for those partners.

So in short, the mining services business will more than double over the next five years and that's from projects that we've got locked in now; the iron or business. So at the moment we're running at a high cost, smaller type pit iron ore operation. The two new zones that we've got through Ashburton and the Pilbara hub will allow us to move into a low cost, long, long life operation, so 30 plus years in each of those.

We're going to start Stage 1 on Ashburton at 30 million tonne a year run rate, looking for first ore in two years and down the track 20 million tonnes coming out of the Pilbara. These operations are going to be sustainable through any of the low iron ore prices that we've seen over the last 20 years.

The lithium; we've probably got without doubt, two of the best hard rock deposits. They are actually Tier 1 mines and they're owned with two extremely good joint venture partners. They're in WA. So we're in probably the most socially acceptable mining jurisdiction in the world and probably the best, the safest. We've got a secure government. We are in a great location and the weather's manageable most of the time.

As MinRes we're targeting over 100,000 tonnes of lithium hydroxide production within about five years. Again we've got a locked in capability in terms of our joint venture partners of probably the two best hydroxide producers in the world. So we're in good company with our mining services, with our iron ore, with our lithium business. We've got great partners.

Then the gas business; as luck would have it, we put our first drill rod down up on the Perth basin and we hit a fairly major discovery up there in September/ October. We're looking basically in there to secure long life, low cost energy that can be the basis of a range of different opportunities that we have going forward if we know that we've got that low cost locked in for 20, 30 or 40 years.

We'll be able to use the gas initially for our own operations, JV partners, clients, and areas where we get benefit and we've got a fairly extensive exploration programmed over the next two years. So I'll get into a bit of detail now on each one of those.

Look in short, in MinRes we've got Tier 1 assets, we've got Tier 1 customers and JV partners. We've got growth projects over the next five years that are locked in and we can manage most of that in house. We have that capability. We have a very, very clear funding plan and that will be progressively shared with the market as we start to get to the beginning of a development stage in each one of those.

I do hear some noise sometimes about how are we going to fund all this? So over the last 15 or 20 years, we've always had a very clear plan on how we fund our projects. We've had a very firm grip on our balance sheet and I would say that we're one of the best on the market on return on invested capital.

So just to give you the message, it's all well and truly planned on how we're going to fund it. We're going to continue doing what we've done for the last 20 or 30 years. So nothing's changed and the recipe will still be the same. So you'll get the returns that we're all used to having.

So mining services growth, just a little bit more detail around how that's going to work. The mining services has always been where MinRes started off from. So that's the foundation of this business, the core where our work ethic comes from, our can do attitude comes from. It gives us the impetus to be able to move when we see opportunity.

Generally out in the industry to our Tier 1 clients, we're out there, we're delivering crushing mining processing and haulage services. We're primarily operating through gold, lithium and iron ore. That's where most of our business happens and we're pretty focused - I mean, we will take on any mining or hard rock opportunities, but we just seem to find this is our sweet spot.

We've got considerable growth opportunities going forward with all of those range of clients that we've got sitting out there. As I said earlier, that's primarily based on a range of things; delivery, performance, safety, caring about the outcome for our clients, caring about their profitability to make sure that they get what they're looking for, making sure that we deliver and there are never any contractual issues between us and our clients. We are just there to get the job done for them, and we know what we're doing.

I can see a consistent 10% to 15% growth in that area of the mining services business over at least the next three years. Then when we move into the mining services part of the service, we'll be providing to joint venture partners. So in the Ashburton, we'll have three build to own operate contracts out there, substantial contracts, lot of capital to set them up.

So we'll be doing the crushing, 30 million tonnes of our NextGen 2 crushing plant, 30 million tonnes of haulage down about 150kms of highway. It'll be a privately owned haul road. [inaudible] They'd be hauling 320 tonne of payload. That's an innovation developed in-house with the help of Kenworth. They're the only ones in the world like it, and we've got about 17 or 18 of them running in the Yilgarn so we know exactly what they can do.

Thirty million tonnes of ship loading contracts. So that means that we're going to have four transhippers up there, and they're going to be hauling 20,000 tonnes per transhipper, about 22 miles out and putting them on capesize carriers. So ironically after we do all of that, this is going to be our lowest cost port on the west coast. So lots and lots of future for the transhipping business and somewhere that we want to progress and grow.

To the Pilbara hub, we've got a life of mine supply chain contract up there. So MinRes Mining Services is responsible for taking the ore on behalf of the joint venture partners from the gate and putting it in a ship in Port Hedland. They're going to do that with a private haul road from Marillana down to the Mulga Downs Railhead.

Once it's down there, we'll put it into the stock yard and our joint venture partners and Hancock/Roy Hill will take that joint venture that we've formed and they'll take our ore down and they'll place it into our ships. Again, it's another great joint venture that we've done with the Hancock prospecting team and very good friends of MinRes.

So the lithium; primarily just on the lithium, we will continue doing what we're doing at Mt Marion on the mining services. That's not going to change a lot. Up in the Pilbara we're starting up Wodgina again. So we own the big crushing plant up there and the mining, the catering and airport services. So that’s a mining services contract that's just starting back up now.

So iron ore growth, the next five years we're developing two transformational projects. We’ve got the Ashburton hub. That's known as the Red Hill Iron Ore JV. So we acquired the iron ore rights from Red Hill Iron during the course of last year.

Since then we've signed an agreement with the joint venture partners. So the joint venture partners are Aquila, AMCI, POSCO and the majority shareholder in Aquila is of course Baowu. We have a 15% shareholding in that entity as well.

We've also just at the end of January, been appointed the manager of the Red Hill Iron JV, so we're going to carry that forward and start getting all the press work done on that. The MRL Board has approved FID subject to the JV partners. They're going through the process to do the same and we expect that all to happen prior to middle of this calendar year.

So, as I said earlier, at Stage 1, 30 million tonnes, at least 30 year mine life, and 58% Fe. We'll have a central hub which is 150kms from the coast. So one of the closest ore bodies to the coast up in the in the north.

It's a two year build, and we're aiming to go first ore on ship somewhere between December 2023 and March 2024, depending on how we go over the next three or four months with COVID. We've done a huge amount of progress over the last six months in terms of port access, approvals, design engineering, access roads, camps, airports, all of the touch points of - we’ve even now put an agreement together out there in Onslow with the traditional owners, Thalanyji. So we're going to do a 30 plus share rental arrangement with them on renting some land so we can put our resort on it. That in turn gives them known income for a long, long time and they'll be able to use that for their people out there.

We're very, very focused on working with all of the traditional land-owners and the station owners and making sure that there's shared benefits going to everyone. We've also ordered the first two transhippers, they're getting built offshore. Iron ore and the Pilbara hub, it's a 50/50 JV we've got there with Brockman, everyone's aware of that.

We're the joint venture managers. It's about a 30 year mine life and there's probably another 10 beyond that. It's 60.5% Fe. Two years of approvals, this one's going to take us a while to get going. Then about two years of development behind that. Again, Hancock and Roy Hill are going to be responsible for doing most of that construction work on that supply chain joint venture agreement in terms of rail upgrade and port development. A very experienced team working on that.

The lithium. The lithium business has changed substantially over the last six or so months. It's a big business, it's world class. As you're aware, we're just getting Wodgina going. But we've sat down with Albemarle and we've had a look at how we can get the most out of this joint venture. We are exploring the opportunity of MinRes moving back to 50/50 ownership at Wodgina and we’ll take up the management there.

It was Mineral Resources that designed that plant and the infrastructure. We built it. We've operated it. It's our core business, so that's kind of where we belong. We can deliver an extremely good operation to the JV for the next 40, 50 years. It's a big ore body.

Kemerton remains the same. The hydroxide plant stays 60/40 ownership and the offshore hydroxide will - all of those plants will be built to consume all of the Wodgina feed and we'll continually just grow those out as market demands. But, again, on all of the hydroxide, responsibility of Albemarle to manage those and also they are responsible for all of the marketing and all of the sales.

The feed for the Kemerton plant, all of that, it's been agreed with Albemarle, that's all coming out of the Greenbushes mine. So a good result with all of that. Good for both of us. The Mt Marion operation, we are just taking back our 51% offtake. That's been going to Ganfeng since the mine opened. We're taking that back as of 1st February but we've also entered into a toll treating agreement with Ganfeng in China.

They're going to treat all of that spodumene that's coming out of Mt Marion for us and that will be jointly sold into the market. We're expecting first sales round about May this year. Mt Marion growth, we're running at about 450,000 tonnes a year down there. We're going through a pretty average part of the pit at the moment. We have to do it, we've got to get that out and we're doing a couple of studies down there.

One of them is what we call yield enhancement, so we want to change the gradation of the ore and reduce the ultra-fines. That's probably going to give us about a 10% to 15% increase in product. Then the second thing we're looking at doing is installing a plant to treat what we call the contact ore.

The contact ore, it's found at the outer perimeter of the ore body, where the ore body meets the waste. It has a reasonable amount of basalt in that material. We're going to put a plant in that's probably capable of about a million tonnes a year of feed, but that's subject to test work and us getting the results that we expect we will. We'll keep you informed on that.

Because if that goes ahead, and it most likely will, it's going to increase the product volume substantially. Lithium growth. As I said earlier, we're starting Train 1. We're well advanced on that. We're looking to have first product on the ground in April. Train 1 turns out 250,000 tonne at 6% product.

Trains 2 and 3 are sitting, ready, willing and able to go and we'll re-start them in line with market demand. It will take us a little while just to get everything cranked up and to get the down streaming running, but that will all happen under a fairly good management team that we've assembled.

Kemerton hydroxide, we're expecting Train 1, as I said earlier, they're putting some feed into that now. We're expecting first sales late 2022. There's some work to do on these hydroxide plants. When you get them going you've got to get the material running through them. It takes a while to commission them and then, once you do that, you've got to make sure that the customers are happy with the material. So, a little bit of time.

Train 2 is going pretty well and mechanical completion is expected in the third quarter of this year and it will just follow the same process as Train 1. Offshore hydroxide, that's going to be jointly developed between Albemarle and ourselves and we'll proportionately fund that, 50/50 each. Those plants will consume 100% of the Wodgina spod.

In summary, on the lithium business our aim is to be up around about 100,000 tonnes of hydroxide production in about five years from now. Then, finally, the last pillar of our business, the energy side of the business. We're the largest acreage holder in both the onshore Perth Basin and up in the Carnarvon Basin, up near Onslow.

We recently drilled a hole, we called it Lockyer Deep. We hit substantial gas down there. Testing on the well has been slow, we've got to secure a lot of the specialised test equipment and people from both offshore and in the state and having the borders shut has made it quite difficult. We're hoping that test work is going to be well and truly underway in March when we get everything in.

We'll have a better understanding, probably, around the middle of this year of what we've got up there. We'll keep you updated on that. On the exploration front, we're probably going to drill at least six wells up in the Perth Basin. The holes up there go down about 4.25 kilometres, so a big drill rig and quite a commitment.

We're aiming to bring the little Red Gully gas plant, that we inherited a few years ago, back online. We want to put another drill rod down there and bring the gas back into that plant. Up in the Carnarvon Basin, we've got a joint venture up there with Buru Energy and we're planning to drill a couple of wells up there over the next 12 months. That's basically the onshore region of where Chevron are, so quite a prospective area.

Guidance. An update on the guidance. It's a table that's familiar to all of you as we give you the production and tonnes that we expect and unit cost. The tonnes are pretty much the same as the recent guidance that we gave. COVID continues to disrupt our supply chain and it's making life difficult. It's pushing rates up, it's making it unpredictable.

Shipping has been a substantial increase over the last six or nine months and it's causing us a little bit of pain. But the costs that we can control, on the sites, in the mines, with our own equipment are well and truly under control and extremely well managed. The team have done a great job on that. The mining services we're going to set at the traditional 15% to 20%, we're achieving that and at least for the next three years we'll continue to.

Okay, so to sum up. It's been a tough period. The whole team has been under enormous pressure to keep the operations running and, while we're doing all that, we're re-negotiating or we're establishing all of these new agreements. We're out trying to get approvals in a whole range of areas, literally thousands of them.

The team have worked hard and done an amazing job. Don't judge us on the last six months, it's been tough with the iron ore price. The iron ore price seems to have stabilised somewhat, but we all know how unpredictable it can be. But we have certainly been focused on making sure that we've got projects in hand that we're going to deliver over the next five years.

They're going to set the business up for 30 or 40 years out. There's going to be a good mix of diversity in terms of the type of products we're going to be able to deliver and, as we go forward, more opportunities are going to come up. I think we've got a great business. We've moved up the ranks in the ASX over the last few years and we probably will continue to do so.

The growth that we have, as I said earlier, we have it locked in. We know what we're doing financially and our track record speaks for itself. We've got plenty of good advice around us. We've got a very tough, robust balance sheet. Our track record on delivery, managing, innovation and we have the team to deliver.

Look, I'll wind it up at that and if you've got any questions, Mark and I will do our best to answer you.

Operator: Thank you. If you wish to ask a question via the phone, you will need to press the star key followed by the number one on your telephone keypad. If you wish to ask a question via the webcast, please type your question into the ask a question box.

As a courtesy to others, please limit yourself to two questions at a time and if you have further questions you're more than welcome to re-join the queue to ask further questions. Your first phone question today comes from Jack Gabb with Bank of America. Please go ahead.

Question: (Jack Gabb, Bank of America) Thanks and good morning all. The first question is just on your Capex and balance sheet. I guess you're talking about adding round about 80,000 tonnes of attributable hydroxide capacity and a further 10% stake in Wodgina.

Even if Albemarle agrees to sell down at cost, and I guess I'm a bit unsure why they would, that's over $1 billion outlay. Then you've got $2.5 billion for Ashburton and potentially another $2.5 to $3 billion at Southwest Creek before we consider any other spending at Mt Marion or backfilling resources at Ashburton.

It's a significant amount of Capex and I'm just curious, given your comments that you've well and truly planned to fund or how you've planned to fund everything, perhaps you could enlighten us as to how much debt you expect to take on and when you're expecting that debt to peak? Thanks, and I've got one more.

Mark Wilson: Jack, hi, it's Mark. Thanks for the question. Chris was pretty clear in his statement that we've got a plan and we're going to release it progressively as we announce the full details on each of the projects. Historically we've always been conservative with respect to debt.

We've been prepared to go net debt for periods of time through expansion phases, but typically where we've got projects that will see the balance sheet return to strength pretty quickly. We have a plan that will get us through the delivery of all of those opportunities, but I'm not going to share the full details of it now. Okay.

Question: (Jack Gabb, Bank of America) Okay, thanks. Can you say anything about whether equity is part of that plan or whether this is more about selling down stakes and exiting assets?

Mark Wilson: Yeah, there's no plan to tap the equity markets.

Question:	(Jack Gabb, Bank of America) Okay, thanks. Then the second question is just on the iron ore. Clearly a disappointing first half in terms of price realisations. Can you just tell us what you're assuming for price realisations for Ashburton, given it's 57.5% product? Have you also adjusted your cost expectations at Ashburton in light of the increased transport costs in the half just gone? Thanks.
Chris Ellison:	Look, I think firstly in terms of controlling our costs at Ashburton, the transport costs there are very, very different. They are MRL owned off-highway units. So they're extremely low-cost. They - and they're fixed. There's a fixed capital cost associated with them. The diesel doesn't move the dial on that very much. So those costs, we kind of have them locked and there's not a lot of variation on them. What was the second part? Price realisation on the materials?
Mark Wilson:	Question on the product.
Chris Ellison:	Yes, look, I think we've disclosed that in the past, have we?
Mark Wilson:	No, I don't know if we've disclosed it but what I would say, Jack, is the project is very robust under any sort of assumptions you might want to make around price or discounts. So because of its proximity to the coast, because the innovation that we're bringing through the crushing and the haulage and the train shipping, it allows us to be where we want to be from a cost perspective and that gives us the resilience, regardless of what happens on the revenue line.
Chris Ellison:	I think the attraction of that project is that - the attraction to that project for us is that it is an extremely low cost per tonne FOB.
Question:	(Jack Gabb, Bank of America) Yes, absolutely and look, one last sneaky one on Ashburton. Is there much more required to spend on that project? The backfill resources, I guess, to meet that sort of 30 year life of mine? I know there's significant resources in the west Pilbara but you're not necessarily 100% owner of those, so just curious whether there's a bit more spending required? Thanks.
Chris Ellison:	No what we've disclosed, it gets us to that run rate for that period of time.
Question:	(Jack Gabb, Bank of America) Okay, great. I'll pass it on. Thanks, guys.
Operator:	Thank you. Your next question comes from Hayden Bairstow with Macquarie. Please, go ahead.

Question: (Hayden Bairstow, Macquarie) Yes, morning Chris and Mark. Just on the MARBL JV potential changes, just keen to understand the metrics of how Kemerton will work with Greenbushes being fed into that? Will you have to pay market rates for that Greenbushes ore or is there some sort of cost-off agreement likely to be in place on that front?

On the target of lithium hydroxide to 100,000 tonnes within five years, is that some of these projects that Albemarle's talked about building in China already that will go into the MARBL JV or is this new stuff they haven't yet talked about either?

Chris Ellison: I don't want to talk too much about on the Albemarle side in China. They'll release the information as they see fit. They're in control of the hydroxide. The down-streaming, both at Kemerton and up in China but what I can say is that we have got a very solid plan in house and the reason for a few of the changes that we're moving around, the deckchairs, is that just trying to make sure that we've got an extremely solid joint venture the way it's operated and managed going forward because this COVID thing has been extremely disruptive.

So we've got to make sure we've got the right people in the right places. We want to be able to guarantee production and that these plants and mines operate. So I think we've come up with a really sensible solution. There's probably a little bit more information flow to come out of this a little bit further down the track and it'll make even more sense. So we haven't given all the information, we can't at this stage.

Question: (Hayden Bairstow, Macquarie) Okay great and on the iron ore side of things, just keen to understand - assuming you kick off Ashburton in earnest pretty soon, just on how can you move around people within the rest of the business? I mean, if we're not getting a lot of earnings out of Iron Valley, do you repurpose people to focus more on getting Ashburton going and maybe down-rate production if we see iron ore prices coming back again?

Chris Ellison: Yes, look, certainly - look, Hayden, we've always done that. I mean, if we see iron ore or any of the commodity prices moving, we act quickly to make sure that we minimise any cash drain and yes, look, our focus is heavily on Ashburton.

But at the same time, I mean, Iron Valley for a long, long time has always sort of produced and it's had more lives than a cat but it just keeps giving. So it's been a good mine, as has Wonmunna. We've got that on line and - but you know, no matter what way you cut it, they're high-cost small mines but they got us to where we are with our balance sheet.

They got our business to the size that they do carry risk but we're transitioning into these longer life mines and they did give us the capital and the experience to be able to do what we're doing today. So as we grow as a business, if you look back 10 years ago and five years ago and two years ago, we keep getting better and changing and we're adding better product. We're adding better mines to our portfolio and we've been able to carve out in these two iron ore mines, these two regions we're operating in, we've carved out something fairly serious out of that.

To get a capesize carrier berth in Port Hedland, it's a big berth but it's in the biggest harbour in the world and it's a machine to print cash because it gives us that low cost and then our partnership with Hancock is outstanding. I mean, we've got rail and port all of a sudden. We're up there with the same supply chain as the majors have got. So that's - it's a pretty good deal.

Question: (Hayden Bairstow, Macquarie) Yes, okay, great. Thanks, yes, I'll leave it there.

Operator: Thank you. Your next question comes from Lyndon Fagan with JP Morgan. Please, go ahead.

Question: (Lyndon Fagan, JP Morgan) Thanks very much. The first question is on iron ore price realisations. Obviously getting around about half the iron ore price for the period and realise there's provisional pricing impacts there but I'm wondering if you're able to share a bit more detail about whether there's been a step up in impurities and how that well is going forward?

Because I guess I'm just not feeling particularly confident about forecasting price realisations over the next few years and I'm wondering if you can shed any light on whether we get back to where we were pre the half? Or whether this is sort of a new norm, notwithstanding market discounts are wider?

Then the second question was just to maybe talk a bit more about your plan for Port Hedland. So some pretty basic questions but the 20 million tonnes, can you maybe clarify whether that's your share for the entire scope of the operation and whether Roy Hill was planning to ship anything else of SP3 separate to your project? Just to gauge what the capacity of SP3 could be. Thanks.

Chris Ellison:	So the - I'll talk about the first part of the - second part of your question. So capacity at SP3 should be around about 40 to 50 million tonnes. It's somewhere in that range because it has B-class allocation and then beyond that, there is what they call C-class. So they're opportunistic tonnes. If you're efficient, you can get more tonnes out. The berth's going to be shared between Hancock and MinRes so that's 50/50 and then we have another arrangement with them, with the rail. So we've got a life of mine understanding on the rail and we'll have of the tonnes coming down, they'll belong to the JV, to Brockman and that'll be 50% they and 50% us on the price.
Mark Wilson:	In terms of the realisations, Lyndon - it's Mark, sorry. We go to the realisations, a couple of factors. First of all, in the appendix there's a waterfall that helps give you some sort of indication of how those numbers have evolved but from memory, I think it was something like 83% to 63% on a like-for-like basis in the half on a PCP basis. The prime driver for that has been market on widening of discounts. It's less about the impurities. It's been a bit of a move from the lump as the lump premium evaporated at one point through the quarter and as we've tried to pivot our strategy to respond to the significant fast moving iron ore price. So I wouldn't think that it's - I wouldn't from your perspective think of it in terms of impurities. That's not where the answer is. It's been more on the discounts and market movement.
Question:	(Lyndon Fagan, JP Morgan) Thanks for that. So just to clarify, the SP3 project is a 40 to 50 million tonne project, of which you own 50% of rather than it being a 20 million tonne project?
Chris Ellison:	Correct, yes.
Question:	(Lyndon Fagan, JP Morgan) Thanks very much.
Operator:	Thank you. Your next question comes from Justin Raja with UBS. Please, go ahead. Justin? Your line is now live. Thank you, your next question comes from Glyn Lawcock with Barrenjoey, please go ahead.
Question:	(Glyn Lawcock, Barrenjoey) Good morning, Chris. I just had two questions if I could. Firstly, just on Wodgina. Now that you've wrestled back control of

Wodgina, just wondering firstly how quickly can you ramp it up? What are the dollars required to say, ramp it up? Given Albemarle still has the marketing, can you sell it to third parties or is it only going to ramp up in line with internal consumption? So that's the first one, just trying to understand the Wodgina ramp up potential. What you could deliver us.

Then just on Port Hedland, just trying to clarify Lyndon's question. I mean, 40 to 50 doesn't really make sense to me. One berth, one ship loader is 30 joined up to Gina's Roy Hill project would add 60. So what are you assuming in the 40 to 50? Is that a joined up three berth, two ship loader configuration? Or is it a standalone configuration? Or is that still under discussion? Thanks.

Chris Ellison: No, so on the SP3, with one shiploader. Gina's got - on the Roy Hill berths, they've got two berths and one shiploader. This one will have its own dedicated shiploader but what we're going to do is, we'll be able to share all the shiploaders across the berths. It'll be run as a fully integrated facility with the Roy Hill existing berths one and two. Berth three is certainly capable of way more than 40 million tonnes so it just comes down to the efficiency on how it operates but we are realistic, we're not counting on more. We're not counting on more than that. We're counting on 20 million tonnes for our share.

Question: (Glyn Lawcock, Barrenjoey) Okay but Chris, you'd agree that if you looked at FMG's configuration, they have three berths, two shiploaders and they usually do 120 so it's conceivable that Roy Hill could go from 60 and double if you just take what's currently happening in Port Hedland?

Chris Ellison: Yes, I think - I'm trying to remember. I think FMG get about 185, 190 million tonne a year out.

Question: (Glyn Lawcock, Barrenjoey) Yes, that's true but initially they were 120 when they only had three berths and two shiploaders, which is what this configuration will be. So I'm just looking at it like-for-like. That was all.

Chris Ellison: Yes, look…

Question: (Glyn Lawcock, Barrenjoey) That's fine.

Chris Ellison: Yes.

Question: (Glyn Lawcock, Barrenjoey) Just the Wodgina ramp up and how much flex you have and ability to sell third party, thanks?

Chris Ellison: So Albemarle are responsible for all of the marketing. We think we're going to have first product on the ground in April so we're nearly there and there's announcements made on where the product's going. I mean, we're certainly going to have product going into downstream plants and Albemarle is working on securing those. So when the time's right, we'll be able to come out and tell you exactly what those plans are but I'm not sure that we really want to go and have our competitors understand exactly what we're doing.

Question: (Glyn Lawcock, Barrenjoey) Okay but will you be selling outside of the JV or not, do you think? Or you can't answer that yet?

Chris Ellison: Well look, they've just - Albemarle have just made a sale of some of the material. We've got quite a bit of material sitting up at Wodgina and we're due to load a ship out of there shortly in the next week or 10 days. So we've got a cargo of spod going out to a third party.

Mark Wilson: I think - Glyn, it's Mark. I think the best way to answer that is to say the preference is obviously to convert wherever possible.

Question: (Glyn Lawcock, Barrenjoey) Okay and could you give us any insight into the price? Will it be that miraculously high US$3500 spot spod price or somewhere much lower?

Chris Ellison: It's two prices that sort of drift around. I mean, we have us, the other producers. We have long-term models that they basically go out and they use the carbonate and the hydroxide prices from around the world to come back and tell us what we think the market value of this product is. So we're all generally contracted in that way. The prices that you're seeing, those headline numbers, they're very tiny cargoes of spot price.

So if I had to guess at the moment, I'd think that probably the contracted price probably sits somewhere between US$2000 and US$2400 a tonne and the spot market price they're quoting, which I don't know if anyone's got any tonnes to sell into that market. We haven't and I don't think the others have but that's about US$3250 a tonne.

Question: (Glyn Lawcock, Barrenjoey) Okay and I guess, Chris, just finally then, you work that backwards, you look at the spot chemical prices of US$60,000 for carbonate. That would suggest you - they can pay US$8000 or US$6000 for spod. What prices are you using on the chemical to work backwards then to get to US$2000 contract?

Chris Ellison: Look, honestly, quite honestly, the price has moved quicker than our spreadsheet so in the last three months, the price has just gone from something that we thought was getting out there and we were very happy with but it's probably doubled. So we're just not doing a lot on that at the moment. I mean, we're reasonably comfortable, all the numbers that we'd done some years ago do exist somewhere in there. I remember when it last got up to about US$1300 a tonne and we were extremely happy with that, then it was down below US$400.

So look, we're not doing a lot of work around that, we're just confident that the - all of the base numbers that we built Wodgina on and all the numbers we've put the JV together on do exist but we've all seen commodities that go up like sky rockets and then there's probably only one way for them to go eventually. But I don't think this is going to have a crash landing, I think that it's clearly out there since COVID come along.

I mean, a couple of years ago, it was a handful of car companies making electric cars. Today, if you're not making electric cars, you're not going to be in business. So I think the supply demand chain is very different to what we've seen and I don't think there's any doubt that year-on-year for the next three, four, five years out, the demand for lithium is going to continue to grow. I mean, you read that if it gets too high, they'll go and find an alternate fuel. It's taken them probably 30 years to get to where they have with lithium and I don't think that even if lithium is selling at US$3000 a tonne for the spod, it doesn't move the dial that much on the end cost of an electric car. So look, I don't know - I really don't know. I haven't seen a market like this before move this quick.

Question: (Glyn Lawcock, Barrenjoey) All right, that's great. Thanks for the colour, Chris.

Operator: Thank you. Your next question comes from Peter Ker with the Australian Financial Review. Please, go ahead.

Question: (Peter Ker, Australian Financial Review) Hi, Chris. Thanks for your time. Just on that same topic, the last seven years in spod prices, we saw big ups and big downs. We hear you wanting to do more out of Mt Marion, bringing back Wodgina, and ramping up output. So are you thinking about this period differently to make sure 18 months from now, we don't have a sharply falling price? Are you going to be a bit more conservative than last time and secondly, is there a time in the future where the spot price becomes irrelevant for you and the hydroxide price is the most relevant thing?

Chris Ellison: So first on supply. We're starting Train 1 at Wodgina and we're going to do a watch and see and see what happens with the market. So we have the capability of turning on three trains up there. We're not doing that. we're just going to take this slowly and make sure that we get it ramped up properly. The most relevant for us, I think long-term, I think - and I've always thought this, if you own the rock in the ground then you own the - and control your future.

We want to get the value out of down-streaming so our aim is to get all of our rock converted to hydroxide as soon as we possibly can. We've got a plan at the moment but I think that we'll be able to refine that going forward. A lot's happened in the last 12 months and we're still playing catchup with our joint venture partners because of the uncertainty that's been sitting out there.

But look, I think there's no doubt down the track. I mean, we're going to have a substantial lithium business. We have one right now and we probably have the most clearest, certain path of any of the lithium producers I know of to get to where we want to because we have two operating mines. We have the rock in the ground and a lot of it.

We're in the right jurisdiction where we're probably going to have least disruption and we've probably got the two best hydroxide operators in the world with Ganfeng and Albemarle. So we are going to build those plants and we're going to do it as quick as we can. So yes, it's going to be a very big part of our business going forward.

Question: (Peter Ker, Australian Financial Review) The reference today to building plants outside Australia with Albemarle, can you name the continent where that's most likely to be? Is that Europe? North America? Asia?

Chris Ellison: Quite honestly, I mean we're still - there'll be some in Asia. There's no doubt about that but they're still - through their marketing arm, they're still trying to understand where the best places are to put them for the future.

Question: (Peter Ker, Australian Financial Review) Beauty. Thank you.

Operator: Thank you. We will now move to the webcast questions before coming back to the questions on the phone. Your first online question comes from Praveen Mani who asks, could you talk about the use of the offtake from Mt Marion after the tolling agreement with Ganfeng ends?

Chris Ellison: Yes, sure. So you'll notice in there that we do have the right to extend with Ganfeng through mutual agreement and I think they'll be keen to. But look, our first priority again is being able to make sure that we change that part of that business, we wanted to get that offtake back and then we wanted to get that agreement in place with Ganfeng.

That's a starter and it just gives us some time to breathe because we've had so many different projects and things on our plate over the last six months and to be able to cover off on all of these take a lot of effort and time to be able to get the right agreements in place and get the planning done. But that's basically an interim agreement that will give us some breathing time to work out whether we can extend that with them. Pretty sure we can, they'd said they'd like to, but that's as far as we've got so far.

Operator: Thank you. Now moving back to the phone questions, your next phone question comes from Alex Ren with Credit Suisse. Please go ahead.

Question: (Alex Ren, Credit Suisse) Hi Chris and Mark, good morning, two from me please. I guess both still in pricings. So many of your significant peers have provided forward-looking price guidance, so could you give us some more colour on that? It looks like what meaningful, realised currently is towards the low end when comparing to peers.

So with the new toll treatment, toll treatment agreement at Mt Marion, how will the pricing mechanism work? Does that mean we should see, I guess, much more upside, or should be price realisation, say trending towards maybe spod, maybe the $2400 contract price that you just quoted? I'll revert back on the second one, thanks.

Chris Ellison: So let me try and understand that. The pricing for what we're doing out of Mt Marion, so all of the lithium, all of the spodumene that goes out of Australia, it has to be sold at market value, whatever that value is. So that's where it's a little confusing at the moment. I had a discussion some time ago with the Mines

Department on how any of us understand exactly what market value is, but we have that model, that formula that we've used for the last four or five years.

So that product goes from the Mt Marion mine, which we call the RIM JV and it goes 49% to Ganfeng, 51% to us and then when it goes offshore, it simply gets converted and we have a model over with Ganfeng and we understand what the costs on that are. What was the other part of your question?

Mark Wilson: He was looking for guidance on price outlook, I think, if I heard the question correctly, Alex.

Question: (Alex Ren, Credit Suisse) That's right, yes.

Mark Wilson: On lithium.

Chris Ellison: On lithium or hydroxide?

Mark Wilson: On lithium generally I think was the question.

Chris Ellison: I wouldn't mind going back to you guys and getting it.

Question: (Alex Ren, Credit Suisse) Five-thousand, is what I'd say.

Mark Wilson: Alex, it's Mark, if I could just add to Chris's answer. With Ganfeng, we've got a wonderful partner, we've worked very closely with them for a number of years and we'll work with them on the best structures from tax and funding perspectives to get the right outcome for the business.

In terms of the price guidance, we're not in the habit of trying to guide on price, in fact we focus all of our numbers looking forward on volumes rather than price, so we leave it to the market. You guys obviously understand the challenges, particularly in the lithium space at the moment.

Question: (Alex Ren, Credit Suisse) Understood. So the second question is a follow-up on Glyn's question regarding the pricing structure at Wodgina with Albemarle. At least for the internal consumption parts, are you engaging with, I guess, the ATO on the potential risks around the transfer pricing? At least looking at the current market dynamics, most of the margins would be going to downstream offshore, as I guess potentially running into troubles with the ATO.

Chris Ellison: We are. I mean we are concerned with that, we are very transparent with our concerns around that, but look, at the end of the day, I mean we continue to manage and use the same models we've always used and there is no gain, I mean MinRes is 100% Australian, there's no gain in us trying to lessen the price that we put spodumene offshore for because eventually it gets converted offshore, it gets sold offshore, but all of the money that we make out of that comes back into Australia. So we pay the tax, so it's not like we can escape it, we don't have an offshore arm to the business.

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

Question: (Stuart McKinnon, The West Australian) G'day Chris and Mark. This question is probably directed at Chris. Just in relation to the borders reopening, obviously there's been a lot of talk in WA around this issue and as you are aware, the Premier announced a few weeks ago that 5 February wouldn't go ahead, the opening of 5 February wouldn't go ahead. Are you at the stage, Chris, where you believe that it's time to set a date for the WA border to reopen or are you quite comfortable with the current settings around that?

Chris Ellison: No, look quite honestly, I think that I've always been very comfortable with the way the McGowan Government's managed us through this COVID. I mean I think a lot of people would love to go on holiday or go out east or the like, but my focus here on the business is to make sure we keep all our people fit and healthy and keep them employed so that they can keep earning money to take home and pay for their mortgage and their kids' education. So our priority has been trying to keep the mines open.

I think when he made the call to keep them shut to extend the hard borders, I think was a great call because we were probably going to have in the order of I think 20,000-plus people a week coming into the borders, so they're going to bring COVID straight in and everyone was saying, well what happens to all the small business? Well they keep operating the way they are now, if you let the COVID come in and we just let it rip, as they'd say out east, I think it would have shut a lot of businesses and people would be doing what they're doing out east, they'd self-isolate.

I'm very comfortable following the lead that Mark McGowan's following because if we just let the people trickle in and try and keep the curve down, we've got a chance that we might be able to get through this without getting brutalised.

Question: (Stuart McKinnon, The West Australian) Thanks Chris.

Operator: Thank you. Your next question comes from the Lachlan Shaw with UBS. Please go ahead.

Question: (Lachlan Shaw, UBS) Hi, thanks Chris for the update. A couple of questions here, so just firstly on the iron ore business, just to understand what the strategy is to bring the upstream assets back into profitability and also just what's happening with current realisations as well, given that we're seeing benchmark 62%, around $150 for the tonne.

Mark Wilson: Hi Lachlan, it's Mark here. In terms of the realisations, we don't expect the discounts to widen, come in a touch, but we don't expect them to widen. In terms of bringing them back to profitability, as I've said in my comments, slightly under half of the loss was referable to a prior period adjustment and a big chunk of the cost impact sat outside the mine gate. So shipping costs impact, $151 million PCP is going to change with the shipping market and we're seeing signs of that already.

In terms of the offsite haulage, that was a $54 million impact, on a PCP basis, that's primarily driven by access to hauliers to transport the product through COVID, basically had to pay more to get the tonnes moved. So you can expect those numbers to come back, particularly on the haulage, as we start to get a little bit more flexibility in the supply chain.

So turning it around, it's less of an issue around costs at the mine gate or inside at the operations. There has been some impact there, but not enough to really drive profitability or otherwise.

Question: (Lachlan Shaw, UBS) Got it. So just to follow up with the iron ore business, so Ashburton, are you still looking to take FID on that mid-year and just where does that sit in respect of the government approval process? Have you got all the approvals lined up or when are they coming through?

Chris Ellison: So we've got majority of the approvals through in terms the big one was in around the port. We've still got some detail that we're working through on that, but the major approvals are done. Then most of the access we need from port right through to mine site, we've got almost all of that in hand. There's some other stuff in there that'll happen progressively, but we don't need it to happen before the project starts, if that makes sense. So all of that's sort of gone pretty well.

We've also got the benefit now that we've entered into the Red Hill JV with API. We got the benefit of lot of the other approvals and arrangements and agreements they had in place. So we kind of inherit those.

Question: (Lachlan Shaw, UBS) Got it, thank you. Then look, just second question on lithium business, so just with Mt Marion, obviously 4% was close to half production in the December half, how should we think about the split between 5.5% and 4% spodumene for the rest of the financial year? Then secondly, in terms of the expansion that you're looking at, at Mt Marion, again how should we think about modelling 5.5% versus 4%? Thank you.

Chris Ellison: I think for the rest of this financial year, it's not going to change a whole lot to what's happened. It'll probably sit around that. Look, in terms of the two studies that we're doing up, they're right at the moment do nothing at the moment. As soon as we get through those, we'll make a decision, we'll get that announcement out and we'll tell you exactly what that means to extra product on the ground. If we're going to do that, we'll obviously change our guidance straight away.

Question: (Lachlan Shaw, UBS) Thank you.

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

Question: (Rahul Anand, Morgan Stanley) Hi Chris and Mark, hope you guys are well. Two from me, look you have addressed a few questions already, but firstly on the mining services five-year guidance, you've got 15% to 20% CAGR over the next five years, I just wanted to understand is this tonnage guidance, is this revenue guidance, is this EBITDA guidance? I guess I'm trying to understand whether the construction revenues that you'll get, which are very, very low margin, are part of that guidance for the 15% to 20%.

Chris Ellison: We will always try and give guidance in tonnes. We're not in the habit of doing it around EBITDA, so all the guidance there is based on tonnes.

Question: (Rahul Anand, Morgan Stanley) So that would have – that would be construction?

Mark Wilson: Sorry, Rahul, it's Mark. I was just going to add on the construction piece, we don't run the construction businesses as an external profit-generator. Over the next five years, those teams are going to be very much focused on internal delivery.

Question: (Rahul Anand, Morgan Stanley) Just one follow-up there Mark, if I may, I noticed that in the last full year results, you had about 30% of contracts in terms of revenue coming up for renewal over the next five years. That number seems to have risen to about 65 in the mining services revenue. Were there a fair few contacts that were sitting on the cusp and can you provide a bit more colour as to what contracts are the internal, external, and how should we think about that revenue longevity?

Mark Wilson: So Rahul I think the best way to think about it is we can point to a track record of retention over the last 15, 16 years as a listed company, probably unparalleled. So we've had 100% retention rate through this half. It's basically because of the relationships we have with the customers and the way that we go to work with them.

So I think in terms of trying to get a better flavour for the book and what it looks like going forward, I'd be thinking more in terms of the growth opportunities. The market needs players, us who can respond with agility and in ways that is sometimes difficult for others.

So we see a lot of opportunity going forward. We've got a great track record in terms as of retention that we can point to. We don't expect that to change.

Question: (Rahul Anand, Morgan Stanley) Perfect. No, that's fair. That's fair. Okay, second question was on Mt Marion. Chris, you talked about two projects. One is the ultrafine and one is the basalt. Basalt is pretty straightforward. With the ultrafine, I wanted to understand, are you aiming to basically have better blasting so that your fragment sizes are bigger and the yield goes up in the plant or are we talking about a significant Capex item in any way here for Mt Marion? Then also the timing. How should we think about when this extra production can come in?

Chris Ellison: Okay, so on the timing, we're thinking that we are going to have it finalised so that we can approve it, and that is getting the test results back. We're thinking that maybe around August/September, we might be able to have that in place.

In terms of Capex, it's fairly minimal. It's a lot to do simply around changing some gear out down there for some other gear that we've got; cone crushers will be going in. It’s just basically giving the rock a lighter touch. Nothing to do with the blasting. It's all on the plant. It's giving the rock a much lighter touch and trying to minimise the ultrafine's generation, because once it gets into the ultrafines, I mean, it's hard to recover the lithium units.

Question: (Rahul Anand, Morgan Stanley) Perfect. That makes sense. Can I sneak in one more on Marillana, if that's okay please? That just relates to the production grade. You've talked about that in the presentation today, 60.5%. That's obviously a bit higher than the resource grade and I understand might be some beneficiation there. Is its simple, wet beneficiation similar to Fortescue or are you looking at something different here?

Chris Ellison: No, it's pretty simple, basic wet beneficiation. So that deposit up there is - there's no real drill and blast in it. It's pretty much the whole deposit's pre-dig back into the back of a truck. So the in-pit part of it is fairly low cost. Then it goes into there's probably about between 10% and 15% that needs a light crush. Then it's straight into the mini plant. It separates and the waste goes out and the product in the other stream.

Question: (Rahul Anand, Morgan Stanley) Got you, okay. That's very helpful. Thank you both. I'll pass along.

Operator: Thank you. Your next question comes from Paul Young with Goldman Sachs. Please go ahead

Question: (Paul Young, Goldman Sachs) Morning, Chris and good morning Mark. Hope you're well. First question is on the crushing contracts. Yes, note that you had a pretty decent step up in external revenue, PCP, and you took on those four new contracts. Chris, what commodities were they, if you can help us and also were they all crushing contracts? Were there some actually - were some of those mining contracts?

Chris Ellison: No. Look, there's a mixture in there of crushing and mining. We've got a very specialised mining division and we've got - we're able to secure high quality mining equipment and have been able to over the last few years where others can't. Look, it's a combination of mining and crushing and we're heavily into the iron ore area. Obviously, I mean, the equipment we run can deal with that. We've got really good experience in that area.

There is also, we recently, one of the contracts we just won recently was a little one up in the Territory, crushing some spodumene. It's a mix. There's a bit out there in the gold industry. We tend to only be able to work for the bigger gold companies because of the safety regime that we and they run. Yes, look, it's a bit of a mix and I mean we kind of know where a lot of our clients are headed over the three years, at least.

We get some good consultation with that, but there's also the element of surprise. Things come out of the blue where they need they our services, we carry a huge amount. We've had several hundred million dollars' worth of crushing and processing equipment that we keep in stock.

Question: (Paul Young, Goldman Sachs) Yes okay, thanks Chris. Then a question on Capex and the guidance increasing by $100 million. Obviously everyone's wearing inflation at the moment, particularly in WA. Can I actually ask a question around the Ashburton $2.4 to $2.55 billion capital estimate and that estimate is probably a pre-wrap inflation estimate. Are you still comfortable? How robust is that estimate?

Chris Ellison: Yes, no it's a pretty tough number. Just bearing in mind there, there's no real technology in this project. There's no black boxes in it. I mean, we've got to build a road, we've got to build a port. I mean all of that's fairly straightforward. The port that we're building, it's a very shallow berth. I mean the trans shippers draw about six and a half metres of water when they're fully laden. So not a big deal on that.

The storage, everything is undercover on Ashburton. So it's a completely dust free environment all the way from the mine through to the ship. I mean, probably our biggest risk on that was the trans shippers. These trans shippers are a first in the world. They've been designed in-house using international marine consultants. They would be our biggest risk on the project, but we've just let the first two and we got down to the number we are looking for and we've got them in one of the big, big shipyards.

So I think we've pretty much got it covered. We're building sheds. We're opening up pits, building a road. If you're going to build a road, I mean that's the place to build it. I mean you can almost see the mine side 150kms out, so it's pretty flat.

Question: (Paul Young, Goldman Sachs) Great Chris. Final question just on the Capex theme and looking at the Hancock joint venture, when will you have a capital estimate on 100% basis and therefore your share? It seems to me that's a lower risk project because it's rail versus road, versus Ashburton. How do you compare the IRR versus the two in the risk profile?

Chris Ellison: Look, the risk is - I consider the risk at Ashburton extremely low. I mean, we've built - I'm going to say we've probably built 400 or 500 kms of road ourselves in the last five or seven years. So we know what we're doing with that. We've got a big bridge to build over the highway but we've got Main Roads that are going to build it for us. We've got a number of them.

Building out in with Hancocks on the Roy Hill line, I mean, that's a fairly safe operation. We're going to put another berth in the harbour and that's been done about 17 or 18 times before. We're going to add to an existing rail. We're going to add to an existing stockpile. So it's all fairly low risk manageable in terms of the capital.

We're expecting FID to be June this year. So Hancock have got a fairly big team working through right now on getting all those numbers pulled together. We'll have them over the next couple of months and I expect FID will be yes, about mid-June.

Question: (Paul Young, Goldman Sachs) Okay, that's great. Maybe just a follow up, maybe it's for Mark around the IRR. Mark, how do you think about the returns of Ashburton versus Port Hedland?

Mark Wilson: I'm excited by them. Is that a good answer? They're both robust projects. They both offer us mining services opportunities with long life, Marillana is obviously different grade to Ashburton. So they're in different parts of the market. I don't have a preferred child if you're asking in that question but to come back to what I said earlier, each project we look at has got to be able to deliver at least 20% plus Return on Invested Capital after tax.

That's not assuming $100 or $110. That's assuming long term guidance prices given out by guys like you. So yes, both of them are robust. I think I'd be excited to have either in the portfolio let alone both.

Question: (Paul Young, Goldman Sachs) Yes, thanks. I know I'm at the tail of the questions guys. Just one last one, Chris, just on FID in June; looking at your presentation, you say it's two years of approvals on the Pilbara hub, is the FID around the port, as opposed to the mines?

Chris Ellison: Look it's as a project as a whole. We can't have the mine if we haven't got the rail or the berth. So the whole thing is a package deal. We've got to make sure they all line up. We've got to make sure that the cost of the dredging is what we think it is. So we've just got to make sure we lock all those numbers down. Then we relook at the project to make sure we're going to get what we want out of it.

Just a little bit more on that question you were talking with Mark on the difference between the two projects is that they've each got some good and bad in them. So if you compare costs, costs are going to be a little more elevated on the Marillana JV as compared to the Ashburton one, because we're moving a lot of tonnes there - because we beneficiate, we move a lot of tonnes and send some waste back.

We have to still road haul probably 100 kms down to the rail head and then it goes - once it goes on the rail, we get it down for a fairly low number and then onto a ship when we pick it up. In the Ashburton we're only 150 kms out as opposed to 300 out. Those big trucks that we operate, I mean the cost per tonne/kilometre on them is comparable to the trains that we're running in the Yilgarn.

So they've all got their plus and minuses, but if all gets down to if it's US$40 a tonne, we're still operating and we're still making cash.

Question: (Paul Young, Goldman Sachs) Okay thanks Chris. Thanks Mark. That's it from me.

Operator: Thank you. A reminder to please limit yourself to two questions at a time. Your next question comes from Paul McTaggart with Citi Group. Please go ahead.

Question: (Paul McTaggart, Citi) Hi gents. Look, I just want to follow up on the agreement with Ganfeng around tolling. So obviously you're doing that because you're trying to pick up a bit of the the margin, the hydroxide margins. So can you give us a sense of in terms of a realised price for spodumene for you, how that might change as you go to a tolling agreement? Obviously we've got to put some tolling costs into our numbers, at least for the seven months.

Mark Wilson: What I said earlier was that with Ganfeng we've got a great partner. We'll work through the structuring. One version is that we are just selling it at market price as we currently are. That picks up Chris' point around the whole transfer pricing issue.

At the other extreme we effectively do it on consignment. So that's less likely, right. So we're just working through - and part of the consideration is tax optimisation. So not that I'm allowed to say that, but that's one of the things we have to think about. So I think about it this way; the best way to think about it, simplest way to think about it is we continue to sell the spod at market and then we take a clip on the hydroxide down the track.

Question: (Paul McTaggart, (Citi) Okay. Thanks.

Chris Ellison: Just if I can add a bit more, the commodities, iron or whatever they are, always have to go onto a ship at market price because there's two things. One is that the state government needs the right amount of royalty. That's got to be very transparent. So we're very careful with that. We stay in touch with the state government on that.

Then secondly, I mean, whether we sell the spod for $1 a tonne going out of the country. We still own it when it goes out. It gets converted as hydroxide. Regardless of where we make the profit all of our money comes back into Australia and we pay the full amount of tax. So there is no advantage in trying to even do any price transfer, not that we would, but there is no advantage. The tax department I think are very relaxed with us because no matter what happens they pick it up.

Operator: Thank you. Your final question today comes from Robert Stein with CLSA. Please go ahead.

Question: (Robert Stein, CLSA) Hi guys. Just a quick one on short term pick-up in iron ore pricing and the recent news out of China relating to pollution restrictions being unwound or deferred. Are you seeing a change in procurement practices by the mill that you're selling ore to and an increased demand for the lower grade ore? The second question I have is a longer term one around Brockman but I can come back to it.

Chris Ellison: Look it's hard to get any real transparency at the moment through to - in terms of the ore. But look certainly there's always a very strong demand out there for the lower grade ore. I think when they get it into the mill and they do their blending I think they obviously enhance their bottom line using low grade. But we don't get much visibility over what's been happening in there over the last three or four months.

Question: (Robert Stein, CLSA) Cool, thank you. Then just on a longer term question around strategy around Brockman. So with the Fe grades and the announced intention to share infrastructure through Roy Hill, is there any opportunity for blending and optimisation of grades across both mines as you enter into that relationship? Is that part of the current field of agreement that you're trying to drive with Gina there?

Chris Ellison: Look I would think probably not. A lot of the time there's no real value in blending the ore because if you're blending a good grade ore with a poor grade ore you almost end up where two and two equals one and seven eighths. So the cost of doing it to start with is difficult. Then if there's different ownership that becomes difficult. So there's not very often a value-add in it. A number of companies are - they do have blending yards in China, like Rio Tinto have got one over in China. I think FMG have got them. So in certain instances they find value in doing it that way. But I don't think there's any for us. Certainly not - I don't think we'll be blending Onslow with Marillana. That's almost certain that that wouldn't happen. I don't think that - sorry.

Question: (Robert Stein, CLSA) No, no sorry. Even with the CID ore that forms part of the Brockman reserves? Or are we just thinking about it as discrete products with discrete realised pricing?

Chris Ellison: Yes, look I think we would want discrete products. What we've looked at so far, I mean our experience tells us that it's a better outcome for us financially.

Question: (Robert Stein, CLSA) Perfect. Thank you very much.

Operator: Thank you. That's all the time we have for our question and answer session today. I will now hand back to Chris Ellison for closing remarks.

Chris Ellison: Okay, well look thanks everyone for joining. I think we had some good questions. We've given as much information as we can. We will have more news flow certainly over the next three and four months. As that comes available we will make sure we get that out into the market straight away. As these projects get to start-up we will certainly be all over the funding.

So I don't want to say just trust us, but our track record kind of suggests that we're more than capable of delivering what we commit to. It will all become clear I think over the next three months of exactly how we intend to put all that funding together. So don't stress over it.

We will give you a roadmap on exactly how that's going to work as we go forward. You'll have plenty of time on that. Thanks everyone for joining. Thanks for everyone behind the scenes in helping me pull this together. It's been a great job from our team as always. We will talk again probably in about six months from now. Thank you.

[END OF TRANSCRIPT]