

TRANSCRIPTION

Company: Mineral Resources
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[START OF TRANSCRIPT]

Chris Chong: Ladies and gentlemen, thank you for standing by. Welcome to Mineral Resources call for sell side analysts following the release of our June quarterly release this morning. My name is Chris Chong, MinRes' investor relations manager. Shortly I will hand over to James Bruce, EGM of corporate development, to provide a short introduction before opening the lines for questions.

A little bit of admin before we kick off. Please be aware that today's call is being recorded and a written transcript will be uploaded to our website to the Investors Financial Report page. This call is a Q&A with our sell-side analysts to discuss our quarterly production reports. We will not be able to answer questions that relate to our FY22 results which will be released on 29 August 2022.

If you wish to ask a question by the phones you will need to press the star key followed by the number one on your telephone keypad to raise your hand. The moderator will then open your line and invite you to speak. Please start with your name and company for the record. If you wish to ask a question by the weblink, please type your question into the ask a question box. This is meant to be an interactive and free ranging discussion. With that I'll pass over to James.

James Bruce: Thank you Chris. Good morning to you all. Thanks for joining us today. It's great to have Chris as part of the team. He has been with us now for six months and it's been fantastic the way he has embraced the role and got to understand our business to help you guys all understand our business better. This is our second sell side quarterly call for what is going to be an ongoing quarterly engagement. The intent is to provide an opportunity for you to ask questions so you can better understand our Q4 results.

It's been a very active quarter for the Company. The safety performance has been strong with no LTIs. Our mining services, we've produced record volumes in line with guidance and margins have been consistent. In our iron ore business production was at the upper end of guidance. It was a great result in the current environment. Costs will be in line with the guidance range. I did want to make a comment about realisations and just wanted to make the point that the FMG SSF discounts are the best representation of our product quality and it is more liquid than the 58% market. We also sell on a two-month rotational period.

During Q2 and Q3 of this year - of our financial year - the discounts in the 57% to 58% market were historically very high. In the last few months these discounts have narrowed significantly. In July this has improved further, which is a function of demand, steel mill profitability and [unclear 0:06] coal prices which have recently been pulling back. We report realisations versus the 62% IODEX price in line with industry practice. The volatility of our realisations is reduced if you look at it over a longer period of time.

Long term we expect 80% realisations versus the 62% IODEX and our average realisations since FY20 have been 79%. I just provide that as context. During FY23 move to a quotational period of one month rather than two months after shipment. This should reduce volatility of our realisations on a quarterly basis.

I wanted to move on to lithium. We're ramping up on all fronts. We are benefiting from record high pricing. Mt Marion production grew but was marginally below guidance. Costs will be within the guidance range. We also converted for the first time Mt Marion lithium to lithium hydroxide sales as part of a tolling arrangement. We achieved 30% EBITDA margins for that product.

Wodgina ramped up and Trains 1 and 2 have gone very well. We are producing product. At Kemerton we have also started producing from the first train and going through the qualification period right now. They are just some comments I wanted to make at the start of the call. I'll hand over back to Darcy and happy to answer any questions that you might have.

Operator:

Thank you. If you would like to ask a question, please press star one on your telephone and wait for your name to be announced. If you would like to cancel your request please press star two. If you are on a speaker phone please pick up the handset to ask your question. If you would like to ask a question via the

webcast please type your question into the ask a question box. Your first question comes from Rahul Anand from Morgan Stanley. Please go ahead.

Question: (Rahul Anand, Morgan Stanley) Hi Chris and James. Hope you guys are well. Thanks for the opportunity. Look firstly on Mt Marion, this tolling arrangement, a great result and good addition to the EBITDA. Could you perhaps provide a bit of visibility if you can on how we should think about these volumes going forward considering this is an interim contract as far as I can remember? I just wanted to get a feel for how we should be modelling this going forward.

James Bruce: Thanks Rahul. This is a new revenue and income stream for the Company. We exercised our right to take our share of our offtake from February of this year. So we will - we originally said that it was a seven month period - we've recently extended that to November of this year and we've got the option to extend it further. Our clear intent as a Company is to convert all of our share of spodumene production into higher quality lithium hydroxide and those sorts of products. So I think we've been very clear about that over the last six months and year. So our expectation is that that will become part of an ongoing part of our business. So I think that should give you some idea about where we're going and our longer term expectations around hydroxide production from our operations.

Question: (Rahul Anand, Morgan Stanley) Okay. Then in terms of Mt Marion I just wanted to perhaps talk to the high-grade, low-grade splits. They've moved around a bit but I don't think that really matters because you're just adjusting to the market. But 7% this quarter, is that something that we should be thinking about in terms of the splits going forward as well?

James Bruce: No, absolutely not. We're transitioning through the pit as we expand right now. So that is a very low number. That will probably be the lowest that we see going forward. In our expectation as we have previously announced is to expand production to 900,000 tonnes of mix grade product. On an equivalent basis, that's 600,000 tonnes of 6% spodumene. We have also previously stated that we expect to be about 50% high grade and 50% of the low-grade product. So we will - as we expand production we will also recover a greater proportion of high grade going forward. So you should not assume a 7% high grade going forward. It's just a reflection of where we are in the pit right now.

- Question: (Rahul Anand, Morgan Stanley) Okay, perfect. Just one final one from me before I pass it on. On Wodgina pleasing to see that the trains are now starting to come online and start ramping up. When do we expect to be in nameplate for Train 1 and Train 2?
- James Bruce: So we ramped up Train 1 very successfully. The ramp-up has been very, very quick. Train 2 is starting as we speak right now. So I think you can see the numbers that we've got - we do expect to take that production and convert into hydroxide. That's our strategy across our business. So Chris over to you.
- Chris Chong: I think from September all things going well, the way we're seeing it, we should be at nameplate for both those trains.
- Question: (Rahul Anand, Morgan Stanley) Okay, that's very helpful. Thank you gents. I'll pass it on.
- Operator: Thank you. Your next question comes from Matthew Frydman of MST Financial. Please go ahead.
- Question: (Matthew Frydman, MST Financial) Sure, thanks. Good morning James and Chris. I guess firstly I'll carry on Rahul's questions on Wodgina and you made a comment there in the quarterly and you repeated it just then when you're talking about the cargoes from Wodgina being exported for conversion.
- So just wondering if you can just give us some information on where that material's gone? Why you have to wait until it's converted in order to realise the revenues in the earnings from that product and I guess just wondering if you can give us any more information on what your economic interest is there? Thanks.
- James Bruce: Thanks, Matt and congrats on your new role buddy and all the best. Thanks for initiating coverage on us.
- Question: (Matthew Frydman, MST Financial) Thanks, James.
- James Bruce: So look, we will - as we go forward, I think we'll have more to say on that at our full year results. That's, I think, today we're talking about what's happened in this quarter and we'll hold off on any of those sort of disclosures for our guidance that we'll give at our full year results.

Question: (Matthew Frydman, MST Financial) Okay, no problems. Secondly, you just talked then about the ramp up of the trains in terms of nameplate throughput. Wondering whether you can give us further information on other aspects of the ramp up? You know, recovery, yield, grade of the concentrate being produced? How all of those things are tracking? You know, even if we really want to get specific, you've produced 20 kilo tonnes and you've mined 61. Can you tell us how much you actually put through the plant to produce that 20 kilo tonnes to give us an idea of some of those other factors?

James Bruce: Yes, Matt, so as I said in my commentary, the plants have ramped up very quickly and very well. We're not in a position at the moment to give you the specifics of that data that you're asking for. I can tell you that we are on that - it's on spec product so - but we'll disclose some more information on that at our full year results.

The volumes have been good and we're very pleased with how it's gone, especially in a tough labour market. I just point out that we first gave guidance that Train 1 would start in July and we brought it forward many months. So I think it's been a pretty successful operation and technically it's going very well.

Question: (Matthew Frydman, MST Financial) Yes, for sure. No problems. Yes, look forward to that additional disclosure. I guess maybe to put it another way, it's early days in the ramp up but are you guys seeing opportunities to improve yields and recoveries and ultimately throughput? You know, maybe in the same way that you've realised from the Mt Marion circuit?

James Bruce: Yes, I think we've got many options, given our experience at Mt Marion, of how to operate and successfully operate these plants and these operations. So I think we've got good opportunity to continue to maximise the value of the ore body, minimise the amount of material going into the tailings and that ultimately - and especially at a time of high prices and very high demand, is the most valuable thing that we can do.

So we are very conscious of the value of the ore body and the unique assets that we have located in tier one jurisdictions and we know how to operate these assets and have done it for many, many years. We've also got a management team that is very stable and knows how to do this.

So yes, I think it's - I think there are some big opportunities for us but you'll just have to wait for some of the detail around that and maybe in the meantime, just get [unclear 4:02].

Question: (Matthew Frydman, MST Financial) I can be very patient, I promise. Maybe one last question? I've got lots of others so maybe we'll loop back but just lastly, can you give us an update at all on the discussions around moving to 50% stake in Wodgina?

James Bruce: Yes, look, I'm not able to at the moment, Matt. When we've got more to say, obviously we'll disclose it in the normal course of events.

Question: (Matthew Frydman, MST Financial) No problems. Okay, thanks, James.

James Bruce: Cheers.

Operator: Thank you. Your next question comes from Hayden Bairstow of Macquarie. Please, go ahead.

Question: (Hayden Bairstow, Macquarie) Good morning, guys. James, just on the Mt Marion to disclose into the results. So you'll have separate, effectively, profit centres to the hydroxide part of it and that'll be ongoing? So we can sort of think about that as a Mt Marion selling, effectively, spod at the realised pricing you put in here and then that's just an additional earnings on top of that. Effectively running it like a merchant plant?

James Bruce: Absolutely right, Hayden. That's the right way to think about it.

Question: (Hayden Bairstow, Macquarie) Okay and then commentary on the Wodgina spodumene sales. I mean, that - when you first started about - talked about ramping this up, it was like oh, we've got opportunities to sell spod into the market but now it seems that it's all - you're going to target, I guess, toll treating or using downstream plants that Albemarle owns or it's going to ramp up.

Is that sort of the plan now or is - and is that because of the money you're making out of what you're seeing with Ganfeng or is capacity opening up that you didn't think was there before? I mean it's - because Albemarle hasn't really accelerated anything as yet on downstream plants in China.

James Bruce: What I would say, Hayden, is demand is extremely strong. We've got significant enquiries from multiple parties. Our intention is to convert all of our share into hydroxide and you'll just have to wait to see the form that that takes.

Question: (Hayden Bairstow, Macquarie) We can use though a similar model to Mt Marion in terms of running a separate profit centre that's selling spod at the market price and then converting?

James Bruce: Yes, I think the only thing that you might need to think about is just the timeframes and the cashflow implications. You know, the - a tolling agreement - the tolling agreement we've got with Ganfeng is slightly different to owning - depending on what the structure is in how the cashflows will work through.

There is typically a - I don't know, four, five-month timeframe between converting - going from spodumene and converting it through to hydroxide, depending on where in the world it's being converted and how long it takes to get there and how long it takes inventory management and so on through the system. So you should just think about that as you model it going forward.

Question: (Hayden Bairstow, Macquarie) Yes, okay. Great. Just one final one on the gas stuff, are we expecting anything nearer term? Obviously you're talking about there's some commentary around potential drilling in - later this year. What about the overall strategy of what you might do with that asset?

James Bruce: Look, I think we've got to - in terms of the overall strategy, I think we've talked about it at an AGM and other - earlier this year at our financial - half year results. I think our strategy is pretty clear. We need to define the size of the resources.

We've got the largest land package in WA onshore across both - near Perth and up in the north as well. So we've got a significant opportunity to leverage our resource and hopefully reserve base but - to supply low cost gas to our own operations to our joint venture partners and others in WA and to help us decarbonise our business but also, I think given the potential scale, we could also consider other gas opportunities to monetise and to commercialise the opportunities.

But it's an important first step that we've had very good success with the first well and we've got - you know, we need to do additional drilling and then that's



what we've disclosed in today's release. So I think this is an important step and we're gearing up to be able to complete those wells.

Question: (Hayden Bairstow, Macquarie) Okay, great. I'll leave it there. Thanks, mate.

James Bruce: Cheers, buddy.

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

Question: (Paul Young, Goldman Sachs) Thanks. Morning, James. Morning, Chris.

James Bruce: G'day, Youngy, how you going?

Question: (Paul Young, Goldman Sachs) Good mate, good thank you. Keeping on the topic of Lockyer Deep, James, I know you've got four wells to drill over the next year or so but can you maybe just - from your expectations, what's the talk around - or expectation around potential maiden resource? Timing around that? Then timing on entering feed and what that process looks like?

James Bruce: Yes, Youngy, I mean, this call is a quarterly results call and you know, you're asking about - I think we'll have more to say at our full year results on that. I'm not - we're going to do some drilling and that's what we can say on it at the moment. Let's get to our full year results and we'll have some more to say about it.

Question: (Paul Young, Goldman Sachs) Yes, okay. Well I'll ask - okay, I'll ask some specifics on the quarterly then. So just on - back onto Mt Marion, the 6.7 thousand tonnes of lithium hydroxide sold in the quarter, from a production perspective and percentage of nameplate or what can be fully converted, what does that represent?

Is that - I know we've got the rules of thumb on converting from spodumene to hydroxide, but what should that be if you - if that's a fully maximised, fully converted, what should the quarterly hydroxide production and sales be?

James Bruce: Yes, so look, what we've done is, we've now converted all of February - from February to June 30, we've converted all of the spodumene into hydroxide. So that's what's happened. So you can work through those numbers and yes, that's what it is.

Question: (Paul Young, Goldman Sachs) Okay and then last one, James, on the mining services volumes. I thought there might have been a little bit of a tick up in the June quarter considering it's a dry quarter and there's quite a bit of activity in the Pilbara with the majors. What is your expectation of when mining services volumes might start trending upwards quarter-on-quarter?

James Bruce: Yes, I mean, Youngy, we don't give quarterly guidance on services volumes. I think we've just produced our best result ever in mining services. The margins continue to be very stable. We are obviously - we've got some - we've had good growth over the last year. We've had good contract wins and retention.

I think I'm not going to get drawn into quarterly guidance on volumes for our mining services business. I think you as well as anyone know the trends in the industry and we are - the business is going very well.

Question: (Paul Young, Goldman Sachs) Okay. All right, thanks, James. Thanks, Chris.

James Bruce: Thanks, Youngy.

Operator: Thank you. Your next question comes from Glyn Lawcock of Barrenjoey. Please, go ahead.

Question: (Glyn Lawcock, Barrenjoey) James, Chris, good morning. I joined a little bit late, so apologies but I did catch you mentioned you produced on-spec product at Wodgina. Can you just remind, what is on-spec? Is that the proper 6% as we know it? If you could just help me understand that?

James Bruce: Yes.

Question: (Glyn Lawcock, Barrenjoey) Is the short answer? Yes. Okay. Because you - and the rest we'll have to wait for then, by the sounds of it.

James Bruce: Yes. Yes.

Question: (Glyn Lawcock, Barrenjoey) The second question is, could you just help me understand the conversion then? Like you say you've converted all the spodumene to hydroxide since February. What sort of tonnage is that? Is that - you've - like how many tonnes of spodumene is going into this tolling? Are we sort of looking at something closer to 10 tonnes to get one tonne of hydroxide, given the grade? Just trying to understand the mechanics of it.

- James Bruce: I mean, if I can give you some help with that Glyn? I mean, you know what our production rate levels have been from - you know - well more importantly, our sales of spodumene. That, those sales, have been converted into that amount of hydroxide. So those numbers have...
- Question: (Glyn Lawcock, Barrenjoey) Yes but you say from February so I'm halfway through a quarter so I can't quite make it out.
- James Bruce: Yes, all right but - yes, well from February, you're only missing one month there. You're missing January - I mean, I think you can maybe do some ratios and work it out. So - and then we disclosed the revenue, we've disclosed the EBITDA of that conversion to 30% EBITDA.
- I think you can - I think we've disclosed sufficient to be able to help you model what you need to model.
- Question: (Glyn Lawcock, Barrenjoey) Yes, I get that but as the grade for Mt Marion spod, I think will obviously continue to trend down, you're not at the low point yet are you in terms of the combined spod grade for Marion? Or you there now?
- James Bruce: Yes, we produced a very small amount of high grade in this quarter. I made some comments earlier about that. Maybe look back through the transcript but we expect to produce more high-grade over - we expect as we ramp up to 900,000 tonnes of mixed grade and 900,000 tonnes converts to 600,000 tonnes at 6% and we expect 50% high grade and 50% low-grade. So that's what the project does.
- Question: (Glyn Lawcock, Barrenjoey) Yes, look and one final question. I think I know the answer but I'll ask it anyway if it hasn't been asked. Ashburton with 30 June has come and gone. Am I just - bit like the Wodgina 50-50, just don't hold my breath and keep waiting?
- James Bruce: We've made some comment about the Ashburton project in the past about our intentions. We have done long lead item orders and so on and when we have agreement, we will obviously need to disclose it. So that will occur in the normal course of events.
- Question: (Glyn Lawcock, Barrenjoey) You can't share why it's dragging on past the date you were hoping to get to?
- James Bruce: No, not at the moment. We'll have more to say at our full year results.

- Question: (Glyn Lawcock, Barrenjoey) Going to have a lot to say in a couple of weeks' time.
- James Bruce: Yes. Look, Glyn, the only thing I'd add to that is, we're dealing with large companies, right? So there's significant process there but I wouldn't - there's nothing sort of untoward.
- Question: (Glyn Lawcock, Barrenjoey) No, no, that's fine. Thank a lot for your time.
- James Bruce: Thanks, Glyn.
- Operator: Thank you. Your next question comes from Lachlan Shaw of UBS. Please, go ahead. Pardon me, your next question is from Robert Stein of CLSA. Please go ahead.
- Question: (Robert Stein, CLSA) Hi guys, thanks for the opportunity to ask a few questions. Thanks, Glyn, for asking that about Ashburton, I was going to ask that but I'll move on to realised pricing.
- Notice, obviously, the provisional pricing impacts of the - in the realised price ratio. Just wondering, given the 60 - given the 58-62 index really came in quite aggressively through that quarter, were you expecting that to then flow into your 1Q realised pricing, given the two month lag that you speak of? I was just interested to see it was 62 and I was expecting a little bit greater.
- James Bruce: Yes, Rob, I mean, it's very formulaic, right? So we do have a two-month lag which is longer than some others. We are over the next year going to reduce that to a one month rag. That will reduce some of the volatility in some of the reporting that you see but what the implication of your question is correct, that's what happens.
- Question: (Robert Stein, CLSA) Thank you very much. That was it.
- James Bruce: Thank you.
- Operator: Thank you. Once again, if you would like to register for a question, please press star one on your phone and wait for your name to be announced. Your next question comes from Lachlan Shaw of UBS. Please, go ahead.
- Question: (Lachlan Shaw, UBS) A couple just questions on Mt Marion. So obviously realised price was very, very strong. Can you just give us a bit of insight around

the marketing strategy there? Is it all spod? Are you signing contracts? What sort of terms are you preferring?

James Bruce: So Lachy, we've taken our share of Mt Marion production and we're converting it as a separate revenue and income stream into hydroxide. The prices are formulaic based on - for the spodumene prices that we sell and this is important from a tax and the WA Government royalty point of view and all the rest of it. The - as it goes onto the ship, there is a pricing point which is based on there are five indices and it's the average of those five indices over the quarter. So - and that gets you the number that we disclosed.

Question: (Lachlan Shaw, UBS) Okay, that's spod. What about the hydroxide?

James Bruce: Well the hydroxide was sold in a market and we've given you the price that we sold it at. It's - we will - we continue to sell into that market. It's a tolling agreement with Ganfeng and you know, Ganfeng look after the sales.

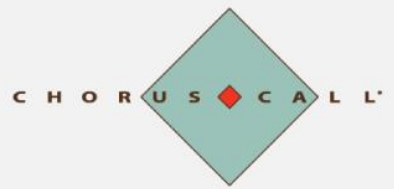
Question: (Lachlan Shaw, UBS) Okay, got it. Thanks. Then just with Ganfeng and the tolling agreement, can you give us any insight in terms of that toll charge? Fixed versus variable split? How does it - is it basis the chemical price? Can you give us a bit of a sense of how to think about that toll cost?

James Bruce: I mean, look, we've just disclosed the margin for you so you can work out what that toll cost was for the quarter. I mean, I would note that for a fully - you know, if you own your own plant and if you look at other people who report across the industry. If you own your own plant, the margins are typically 45% or thereabouts through the cycle at the time. Our margin that we achieved, that's if you own your plant and you put the capital into the plant. We reported a 30% EBITDA margin and - but - and that's probably appropriate given that we don't own the capital of the plant.

Question: (Lachlan Shaw, UBS) Got it. Okay. Then just one last one. Just on Wodgina. Wrap up is going really well there but just how is that sort of looking for Trains 3 to 6?

James Bruce: Yes. Look, we're happy to - I've said it a couple of times but this is a quarterly - we're not going to get drawn into forward looking statements about that sort of thing. We'll have more to say at full year results on that Lachie.

Question: (Lachlan Shaw, UBS) All right, great. Thanks guys. I'll pass that on.



James Bruce: Cheers.

Operator: Thank you. Your next question comes from Alex Ren of Credit Suisse. Please go ahead.

Question: (Alex Ren, Credit Suisse) Morning James, Chris and team. Just two quick ones from me please. Mt Marion hydroxide price from the \$7000 per tonne. I suppose that's a Chinese price so just wondering if that's inclusive of VAT? So you know if we need to take that 13% other than additional costing addition to the fee - conversion, toll costs, et cetera, in order to derive that EBITDA. Second one is just on that Mt Marion toll treatment again. I know you mentioned – you touched a little bit on that but just wondering have you guys started the discussion on looking at a long – say a longer-term contract just to provide some certainty for the market on this part? That's it.

James Bruce: Yes. Thanks Alex. The first part of your question is that the BHE is included in that margin that we've disclosed. So it's not on the revenue side. It's on the costs side. So that's included in the margin that we were able to achieve. Then you know on the second part of your question, we'll answer that in time. So not able to disclose that today.

Question: (Alex Ren, Credit Suisse) Got it. That's it. Thank you.

James Bruce: Thanks.

Operator: Thank you. Your next question comes from Alexander Papaionou from Citi.

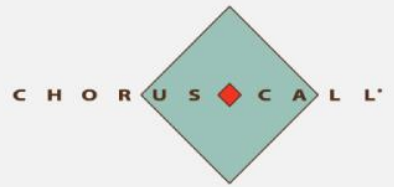
Question: (Alexander Papaionou, Citi) ...cost. Is it best to think of these as lagged four to five months?

James Bruce: Hey Alex. How are you? We couldn't actually hear your question. Can you just repeat it please?

Question: (Alexander Papaionou, Citi) Sure. So Mt Marion tolling agreement. So input Spodumene cost. Is it best to think of these as lagged four to five months?

James Bruce: Yes. Look, there is a timeframe around it and that's what I indicated previously.

Question: (Alexander Papaionou, Citi) Okay. So you said before that you've converted the Spodumene from February to June 30 and that's 6.2 for your share. So then in that case, would then the next time you report hydroxide numbers be in December quarter?



James Bruce: No, but – no. It will be – I mean, I think this will become part of our quarterly disclosures.

Question: (Alexander Papaionou, Citi) Okay, sure.

James Bruce: Anything else Alex?

Question: (Alexander Papaionou, Citi) No, sorry. That's it from me.

James Bruce:: Great. Thanks buddy.

Operator: Thank you. As there are no further phone questions, we will now wait a brief moment for webcast questions to come through. As there are no webcast questions, I'll now hand back to Mr Chong for any closing remarks.

Chris Chong: Thanks. We hope you had a good opportunity to ask your questions today guys. Thanks for the interest and we hope you have a great day. Obviously, if there are any other questions – follow up questions – just please come through and happy to take that.

James Bruce: Thanks guys.

Operator: That does conclude our conference for today. Thank you for participating. You may now disconnect.

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