Chris Chong (MinRes, Investor Relations Manager):

Thank you for standing by and welcome to Mineral Resources March 2023 Quality Sell-Side Analyst Call. Shortly, I'll hand it over to James Bruce, EGM Corporate Development, to provide a short introduction before opening the lines for analyst questions.

Just a little bit of admin before we kick off. Participants can ask both text and live audio questions during today's call. To ask a text question, select the messaging tab, type your question in the box towards the top of the screen, and hit the arrow symbol to send. To ask a live audio question, press the request to speak button at the bottom of the broadcast window. Follow the instructions on screen to join the queue. If you prefer to ask your question by the phone today or have any issues connecting via the web, a join via phone option is also available on the request to speak page. Text questions can be submitted at any time and the audio queue is now open.

With that, I'll now hand over to James.

James Bruce (MinRes, Executive General Manager Corporate Development):

Thanks, Chris. Good morning, everyone, and thank you for joining us. We had a difficult quarter, but pleasingly, our safety performance remains strong. We had no LTIs and our TRIFR remains low. In our Mining Services business, the volumes were weaker than expected. We did have the completion of two external contracts. We're also pleasingly awarded one new external contract, which was a crushing contract and two other new mining contracts as well as a haulage contract. So this quarter, we saw lower volumes because of delays to approvals in some of those new contracts starting through approvals of environmental approvals and the like. But we do expect volumes to increase in the quarter ahead, so we have reduced FY23 guidance to 245 to 255 million tonne. But as I said, we do expect next quarter to pick up somewhat of these new contracts come through.

In our Iron Ore business, a pleasing quarter, mined 5 million tonnes. Our shipments were four and a half million tonnes. Pleasingly, the Yilgarn product quality improved with lump increasing to 29% of our production at Yilgarn. The iron ore price received was up 12% to $109 a tonne, representing 87% of realisations. Without prior period adjustments, that realisation would've been 84%. Production guidance is maintained at 17.2 to 18.8 million tonnes and our cost guidance will be at the upper end of the previously announced range and that's $65 to $75 a tonne for Utah, FOB ex-royalties and at our Yilgarn operations it's $85 to $95 a tonne.

In our Lithium business, during the quarter, the MARBL deal was announced, and we expect finalisation now in June. Previously, we thought it might complete in April. We've set up a lithium marketing office in Ningbo, China with a marketing team to manage sales and logistics once the MARBL transaction completes.

Our strategy remains to convert all spodumene into lithium battery chemicals and sell with regards to reference and index pricing. The lithium performance - to go to that, we had record production of spodumene shipped 111,000 tonnes and converted 7,666 tonnes of lithium battery chemicals. Both mines were slightly lower than we expected in terms of performance this quarter, largely reflecting access to higher quality ore, and I'll go through some of that just now.

At Mt Marion, the significant activity during the quarter, we had over 725 people on site, which is double normal levels. We did have constraints for flights and accommodation which did impact productivity. We're now past this peak in the number of people, so we should see some easing of that on a go forward basis. The Mt Marion expansion just to go to that remains on cost at $120 million of capital and as due to start in May.

Also during the quarter, we announced a dry stack tailings project, which was approved, but to invest $25 million that will halve the water consumption at site and extend the tailings pit life by four to six years. So we think that's a good investment to be making and so that decision was taken during the quarter. From the mine itself, we expect production to be at the lower end of guidance of 160 to 180,000 tonnes and Mt Marion cost guidance has increased to $1,200 to $1,300 a tonne as a result of the issues in this quarter. However, we do expect that to moderate in the quarters ahead as the expansion completes and production increases.

And then just in terms of conversion from Mt Marion, we converted at a cost of, oh sorry, prices of $54,000 a tonne through our tolling agreement with Ganfeng.

At Wodgina, the mine remains on track for FY23 guidance on both sold volumes and costs. The Wodgina ramp up continues. Three trains are now fully operational producing to specification and in the quarter 49,000 tonnes of spodumene was produced. We finally received environmental approvals relating to the cutback. These were later than we expected, but we now have those approvals to feed all three trains. With the delays and the approvals and the time to mine and access the ore, we now expect to access feed for the third train at the end of 2023 with a six to eight month ramp up after that.

On the chemical side at Wodgina, Albemarle is still in control of marketing through this quarter and we expect to take control of our own marketing when the transaction concludes. And so during the quarter we sold less than we produced, and the sales were done at $73,000 a tonne. Production remains in line with FY23 guidance of 11,500 to 12,500 tonnes, but sold guidance has been reduced now to 5,000 to 6,000 tonne based on the current run rate.

I'll finished with our gas business. The Lockyer-2 well was drilled during the quarter. The result was not what we hoped for. While the reservoir quality was high, it was water saturated. We've got a six well programme that we're continuing with and the rig is now mobilising to the North Erregulla exploration well and expected to spout over the next few weeks and it'll take another six weeks to drill.

There are my prepared comments. I'm happy to open it up to Q&A. And Josh, could you please moderate that?

Josh Peters (Lumi, Moderator):

Thanks. If you've not already submitted your text question, to join the live audio queue, please do so now. I will introduce each caller by name and ask you to go ahead. You'll then hear a beep indicating your microphone is live.

Our first question today comes from Paul Young from Goldman Sachs. Paul Young, please go ahead after the beep.

Paul Young (Goldman Sachs):

Yeah, morning James and Chris. James, a bit going on in this quarter. It seems it's pretty hard to execute on some of these projects and not unlike some of the other companies we're seeing and challenges in the West, but maybe just a few questions on Mt Marion and just around the timing of the projects and maybe starting with Wodgina.

I guess if I step back to the site visit last October, the guidance then was you received these environmental approvals for the pushback and the pre-strip to feed all three trains by the end of June, and now you're guiding to the end of the year and a six to eight month ramp up after that. So I'm just trying to square away. Obviously pre-strips take some time and you need to commission the mining fleet and ramp that up. I'm just trying to square away the three-month delay here, which has now turned into it appears to be more like a nine-month delay on feeding train three.

James Bruce:

Paul, that's all correct what you've said. It has been a delay. The approvals were later than we expected and there's also been, the mine plan has been re-cut as a result of that delay. So it is all related to the same thing and there's a very big hill that we need to move. So the equipment is now in place. We're getting active doing that, but the outcome is what we've announced today.

Paul Young:

Yeah. Thanks James. And then onto Mt Marion and just starting on the cost piece to begin with. So first, the first question is around increasing cost guidance, which doesn't come as a huge surprise to be honest, but it does imply second half costs of, I haven't done specific maths, but probably around the $1,300, $1,400 return mark. So I'm just curious to, obviously we think in absolute cost terms more so, but are there any embedded costs that you actually think will unwind into FY24? Or is this is probably the new starting cost base, correct? If we actually convert that to absolute costs.

James Bruce:

I'm not sure I quite agree with that, Paul. We've made the point in this quarterly that we had 725 people on site. Productivity has been hard to achieve while we've been expanding at the same time as producing from the operation. So we do think that as the expansion and as the production volumes increase, then our unit cost per tonne will moderate from these levels. And certainly right now we are past our peak in terms of the number of people on site. So some of this will moderate into FY24. We'll come out with guidance at our full year results as we always do in terms of what exactly that looks like for FY24 in terms of production and costs. But I think I've given you some flavour as we don't think that this is the annualised rate on a go forward basis.

Paul Young:

Yeah. Okay. Thanks James. It helps. Just last one. Conscious of lots to get through here. Just on the ramp up of Mt Marion and commissioning of the crusher in May, what are the steps from here to actually ramp up to design nameplate?

James Bruce:

Yeah, so it's two things. One is obviously getting the process and the crushing and processing plant working and operating as we expect and we've got good expectations of that. But the secondly is we've got to have the feed from the mine to be able to deliver those volumes so that a little bit similar to Wodgina will be constrained I think over the FY24.

The ramp up will take, it won't be immediate. The mine will need to increase production and certainly will need to open up and we are right now doing pre-stripping to open up for FY24 volumes. So we've talked quite extensively as to how complex hard rock lithium mining is and the constraints that there are in bringing on new supply to the industry. And these are some of the constraints. You've got to match the mine with the processing plant. These ore bodies are complex and we are going at our best to achieve these volumes and as I said, we'll come out and guide and set our full year result.

Paul Young:

Okay, thank you, James. That's it for me for now.

James Bruce:

Thanks, Paul.

Josh Peters:

Thank you very much. Next questions are text questions from **Mitch Ryan at Jefferies**. The first question is, what was the external mining services margins in the quarter? Other contractors margins are being squeezed in the current macro market. Given the challenges, how is the business faring?

James Bruce:

So Mining Services margins historically have been pretty stable between $1.80 and $2 a tonne and we're certainly in that range right now. We do get on a six month and yearly basis. Our contracts have rise and fall provisions in them in the high inflationary environment. So I think the expectations for margins are as they've always been.

Josh Peters:

Thank you. The next question, most prior presentations had some decent growth in the external contracts component of the mining services growth profile. If that was redone today, what is the outlook for the external mining services? Is it becoming non-core?

James Bruce:

No, absolutely. Mining Services is core to everything that we do. It's our capability to build, own, and operate these operations and we are delivering pit to port services across a range of different products and for our operations both internally and externally. So absolutely it is core to our business and it's a very strong and sound business that will double volumes over the next three or so years as the Onslow project comes on.

With regards to the external environment, what we've announced today is that we have been awarded additional contracts both for crushing, for mining, and for haulage. And what we've seen in this quarterly is just a, what I'd call a short-term transition between a number of those contracts. So certainly there is expectation within the business that our Mining Services business will continue to perform very strongly into the future and have good volume growth.

Josh Peters:

Next question from Mitch is the lithium battery chemical sales were down 14%, quarter on quarter. Was this timing or withholding volumes from the market?

James Bruce:

So I'll separate that into both of our different operations and our marketing arrangements at Mt Marion, we have agreement with Ganfeng to toll treat the product and we do that. The flow through of that is relatively quick and so volumes are sold into the market on a near term basis and reflect the near-term pricing outcomes of the market.

With regards to our Albemarle marketing arrangements from Wodgina, currently under the current agreement Albemarle are responsible for the marketing and sales. They have their own strategy with regards to how they market the product as we've put in this quarterly, we will take control of the marketing once the MARBL transaction is concluded, and the MinRes strategy with regards to marketing is to sell based on index pricing. Once we have those volumes and once we control those volumes so that that's what will occur in the future, the difference this quarter is just timing of those sales which are managed by, which are managed by Albemarle.

Josh Peters:

The next question was just to confirm that the increase of $25 million at Mt Marion is on top of the $120 million.

James Bruce:

The $25 million is specifically for the tailings and the dry stack tailings and we think that's a project that has merit in its own right because it reduces the water consumption by 50% and delays or improves the life of our current tailings management, by four to six years. So absolutely that's a project in its own right that delivers good returns for us. And yes, it is on top of the $120 million, but it is a separate defined project.

Josh Peters:

And the next question was can you please provide more clarity on what the mine sequencing problems were at Mt Marion in the quarter?

James Bruce:

So as we increase volumes, we have to increase the capability of the pit to deliver and during the quarter, we were accessing contact stockpile material to feed the plant because we transitioned some of the mining equipment to remove waste material ahead of the expansion. So it's a timing impact and the contact materials put through the plant, which is lower grade and also has lower recoveries.

Josh Peters:

The next question we have is an audio question from Matthew Frydman from MST Financial. Matthew, please go ahead after the beep.

James Bruce:

Hello, Matt, you there?

Josh Peters:

We will try and come back to Matthew in a second. We'll take the next audio question from Kaan Peker at RBC. Kaan, please go ahead after the beep.

Kaan Peker (RBC Capital):

Good morning James and Chris, just to build on the Mt Marion cost guidance, shall we think about it as mainly being driven by lower grades in recoveries?

James Bruce:

Yes, Kaan, there has been an impact of that and I just referenced that in the answer to the last question we were putting through contact stockpile material, which had an impact on both of those factors.

Kaan Peker:

And I think you mentioned that there was a preference towards waste movement. Should we expect waste movements to remain elevated over the next one or two quarters?

James Bruce:

Yeah, I think probably maybe even up to a year, Kaan, waste movement as we double the production volumes will certainly increase over the next 12 months.

Kaan Peker:

Thank you. And also, could you maybe give an indication of the split between carbon and hydroxide for Wodgina?

James Bruce:

Yeah, so it's about 30% carbonate, so it's about 30% carbonate.

Kaan Peker:

Sure, thank you. And that would be battery grade?

James Bruce:

That's right, yes.

Kaan Peker:

And just lastly, maybe an update on the approvals for Onslow, please?

James Bruce:

Yep. So the Onslow project is going ahead. We received approvals. There were a couple of objections which we're going through right now, but we don't believe that those objections, we believe we can manage those objections within the scope of the project and the project we expect to start in June of FY24.

Kaan Peker:

Sure, thank you. I'll pass then. Appreciate it.

Josh Peters:

Thank you very much. Next question is an audio question from Rahul Anand at Morgan Stanley. Rahul, please go ahead after the beep.

Rahul Anand (Morgan Stanley):

Hi, James. Hi, Chris. Thanks, guys. Thanks for the call. First one I wanted to touch a bit upon the pricing side and there was a comment made for the Wodgina downstream about economics. So touching about upon that, how are you seeing some of those conversations with your downstream partners in Ganfeng and Albemarle given where spod prices are and where the finished product prices are and how some of these margins are looking, which way do you think the market moves from here in terms of that?

James Bruce:

Rahul, thanks for the question. And with regards to the market, we have very different marketing arrangements from both operations. Our view, and I can't talk for what Albemarle's view is, but our view is based upon direct conversations that we're having with OEMs with through our marketing agreements with Ganfeng and also obviously our engagement with Albemarle as well.

But our view is that the medium and long term demand profile in this industry is, if anything, has even increased in the last three and six months, that the current dynamics in the market are specific to China and China alone. And that's why you're seeing differential pricing between Chinese pricing and the West, what I'd call Western pricing. We think that the Chinese specifically with regard to hydroxide, there's a limited period of time that you can store hydroxide for, it's up to six months. And so that's caused some near-term dynamics where the market has been slightly oversupplied and there's been an inventory movement, but we expect that to normalise in the months and quarters ahead. So this market remains very tightly constrained from a supply side of the industry and demand continues to be very strong.

Rahul Anand:

Okay, thanks for that colour. I guess James, in terms of that contract with Ganfeng for the toll treating, is there opportunities there to renegotiate that cost of tolling, obviously in this environment? Because I would presume a lot of that product goes into China and obviously the economics downstream perhaps make it much harder to toll convert. I mean are there conversations there or what happens when that part becomes uneconomic? I mean does that mean you just start selling spodumene mean itself and you stop doing that toll treatment or is there an opportunity within the contract to renegotiate some of these costs?

James Bruce:

Rahul, we've got an agreement with Ganfeng to do the toll treating for this calendar year. Obviously our intention longer term is to convert our share of spodumene into lithium hydroxide. This tolling agreement is in place and we will honour the contract that we have with Ganfeng. So in terms of renegotiating, we will have the chance to do that at the end of this calendar year and work out what happens for the calendar year 2024.

Rahul Anand:

Understood. Okay. All right, thanks for that. One more question I had was around Onslow, obviously you just talked a bit about that a couple of minutes ago. In terms of getting the approvals or expecting to get the approvals to meet the deadline to June 2024. If I had to back solve for when you need the approvals by to get to that June 2024 timeline, is there, when do you need these approvals by or what's the critical path here?

James Bruce:

The critical path on this project is delivering the mine volumes and starting to pre-strip and developing the mine site infrastructure. The port dredging is done. We've announced the first transhippers have been launched. So a lot of it now sits at the mine level and getting the yellow goods in place and doing that. In terms of approvals, as I've said, we are working through the conditions that we need to meet to comply with what the government requires of us and we'll do that. But at the moment we're expecting to hit first production in mid-2024.

Rahul Anand:

Understood. Okay, look, I might queue up again. I've asked a few, thanks.

James Bruce:

Thanks, Rahul.

Josh Peters:

Thank you very much. And we are going to go back to Matthew Frydman now from MST Financial. Matthew, please go ahead after the beep. I suspect we're having an issue with Matthew's microphone. Matthew, if you can hear us, try using the help, join by phone button to get back in on the phone line. We'll try you again in a second. Our next question is an audio question from Alex Ren of Credit Suisse. Alex, please go ahead after the beep.

Alex Ren (Credit Suisse):

Morning, James and Chris. Can you all hear me?

James Bruce:

Alex, we've got you loud and clear.

Alex Ren:

Ah, great. Just a follow-up question. You want to confirm, given the contract with Ganfeng, the tolling contract, so essentially what you're saying is that even if the conversion segment turns into a negative margin territory because of this 10, 11k tolling plus conversion costs, so there wouldn't be room to restructure that deal to switch from more of a fixed cost framework to a profit sharing one?

James Bruce:

Yeah, so Alex, I mean we've got an agreement in place and we've got to honour that agreement. In terms of the tolling margins, there is some as prices, the $10,000 that you reference, it's actually a formula. So there is some variable nature to that. So as prices come down, so does that tolling margin. So look, there's not much more guidance I can give you right now about that. I think we might take that onboard for the guidance that we give at our FY and our full year results.

Alex Ren:

Yeah, understood. And second question is, you're about to take back the marketing rights from Albemarle quite imminently. I'm just wondering what's your process of your team set up expertise, recruitment, et cetera, would you be ready to go from day one?

James Bruce:

Yeah, so Alex, we put some of that commentary in the quarterly itself in the Wodgina section and certainly we've got a team that we've recently employed and an office set up in China itself, and we've also got the logistics worked out and storage and sign. So as soon as we conclude the transaction, which hopefully is in June, then we'll be ready to go to market and sell our own product on our account.

Alex Ren:

Great. Got it. And sorry if I can, the last one, just with those results moving on to the gas segment given the results of the second well. How's our result changed our thinking around I suppose long term perspective around new and potential downstream chemical integration, suppose particularly around the life at Yilgarn now and adding further cost to the operation.

James Bruce:

Yeah, so Alex, our whole strategy to develop the Perth Basin gas assets has to supply our own business with a secure source of low-cost energy. And nothing about this result that we just received has changed that from a strategy point of view and we'll be decarbonizing our business by developing the Perth Basin. So with respect to the volumes that we might need of gas to supply other expansion projects or other downstream opportunities in West Australia for MinRes I think absolutely we will have enough gas to do that on our own account. So nothing about this well has changed that outcome.

Alex Ren:

And the thinking around Erregulla?

James Bruce:

Well, we're continuing to do work on that project to define the scale. We're doing drilling, we've got more drilling to do and to define exactly what the quantities of magnetite that we may or may not have. And the important thing there is to work out how much the key factor is, what the strip ratio is of that material. So that works ongoing and that will keep going for about maybe the next year or so.

Alex Ren:

Got it. Yeah, no thanks team. That's it from me. Thank you.

James Bruce:

Thanks, Alex.

Josh Peters:

Thank you very much. The next question we have is actually from **Matthew Frydman of MST Financial**. He's put them through as text questions for us. So question one, wondering what the net impact of the contract movements over the quarter was? You completed two contracts, one a new crushing contract and two new mining contracts. What's the net impact over the quarter in terms of volumes, assuming full run rates? Have you gained or lost contract volumes on a net basis over the March quarter?

James Bruce:

We would've gained a little bit, Matt. So a lot of this has been physically what we did was we took the equipment and the people from the two contracts and those people and equipment were in transition, if you like, during the quarter and net the business is in better shape than it was versus a quarter or two ago. But this is purely just a timing issue of starting the new work. So it's additive.

Josh Peters:

The second question from Matthew was regarding the balance sheet. You've had unit cost impacts, timing impacts in terms of the ramp up on the volumes and sales particularly at Wodgina and also a softer lithium price. So would these outcomes be within your prior thinking in terms of stress testing the balance sheet? Anything you need to consider in terms of your spend profile to account for some of the disappointing aspects of the March quarter?

James Bruce:

So Matt, all of our work with regard to the balance sheet contemplates scenarios that are tested at low points in the commodity price cycle. We also test for various scenarios around production rates and so on. So I don't think this quarter hasn't changed any of our thinking with regard to the balance sheet or stress testing of the balance sheet. We continue to monitor, obviously, but nothing in this quarterly alone would change any of our thinking.

Josh Peters:

Another question from Matthew. Ramp up of Train 3 has been delayed versus your prior expectations. How does that change your thinking around train three? Any indicative timing on when you might update the market on that study?

James Bruce:

So I think that there was actually Train 4, you're referring to Matt and so just I can see the question there. So Train 3, yes, it has been delayed. It doesn't change any of the thinking with regards to Train 4. The Train 4 is going through the studies right now to determine the scale of what train four would be, and we would hope that this year will determine with our partners Albemarle what the plan is with regard to Train 4. I think the biggest constraint within all of this is the pit itself. So the fact that we are now starting to do the big pre-strip at Wodgina is good. All of that pre-strip is required for both Trains 3 and 4. So the fact that we've got approvals to do that is positive.

Josh Peters:

Our next question is a text question from **Ting Shui Feng from China International Capital Corporation**. Hi team. May I ask what your marketing strategy for your share of Wodgina's lithium chemicals be? Would you prioritise the price realisation of a shipments potentially at the cost of the high inventory?

James Bruce:

So thanks for the question. I mean, our strategy with regards to Wodgina once we take control of the marketing is to sell based on reference index prices and to sell into the market. We are fortunate that we are one of the lowest cost producers of spodumene and hydroxide in the world. And our view is that even at today's prices and margins, it's a very profitable business and a very well positioned business.

So I think our strategy is pretty clear and what we are doing is engaging with OEMs and downstream producers to determine what their future requirements are for volumes. And we are managing this business based on what we see as being very positive supply and demand dynamics over the next five years.

Josh Peters:

Our next question is a text question from **Jon Bishop of Jarden Australia**. What is the plan now regarding the establishment of the energy business given the results of Lockyer 2? What is the sizing of the gas plant likely to be now and can you consume all of the production internally or will you need to apportion some of this to the WA domestic market x-men's business?

James Bruce:

So Jon, all of that work needs to be done. I mean we've got a six well exploration programme that's still and is ongoing, so I don't think we're going to change plans based on one well, and what we need to do is determine the scale of the opportunity in the Perth Basin. We will know a lot more after the six well programme is completed and we've got another well starting in the next couple of weeks, so we're not changing our strategy or our plans based on one well.

Josh Peters:

Thank you. There are no further questions in the system.

James Bruce:

All right, well thank you very much, Josh. Chris?

Chris Chong:

No, well that concludes today's call. Obviously if there's any additional questions, just please come through. Happy to follow up and thanks for your time and have a great day. You may now log out.

James Bruce:

Thanks everyone.