

Moderator:

Thank you for standing by and welcome to the Mineral Resources' June 2023 Quarterly Sell-Side Analyst Call.

Your speakers today are Chris Ellison, Managing Director, Mark Wilson, Chief Financial Officer, Joshua Thurlow, Chief Executive Lithium, James Bruce, EGM Corporate Development, and Chris Chong, Investor Relations Manager.

A little bit of admin before we kick off. This is a sell-side call with analysts able to ask both text and live audio questions. 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 via the phone today or have any issues connecting via the web, dial in details can be found by selecting the Help, Join By A Phone button within the audio interface, or on the homepage under Asking Audio Questions.

Text questions can be submitted at any time and the audio queue is now open. I'll now hand over to the MinRes team.

Chris Ellison, Mineral Resources:

Thanks very much. Hi, good morning everyone. Chris Ellison speaking.

Look, I'm just going to run through a few of the highlights of the quarter. And I'm going to give a little bit of an explanation around where we're heading in terms of strategy on our lithium business, and I'll make a few comments about where I think the market's heading. Mark Wilson and I have joined this morning because obviously, a lot of changes in the business. The business is moving very quickly. We're doing a lot of development work. We're growing very quickly so we just wanted to make sure that everyone's kind of clear on what our strategy is. And believe it or not, some of you guys, we do have a strategy and we've had one for about 31 years.

So look, I'll kick off, first of all, I just want to mention we're building out the Onslow Iron Project, 35 million tonnes nameplate capacity. We had a tragic loss of life up there recently, one of our contractors that we brought in to lay all the bitumen and asphalt on the runway of our new airport at Ken's Bore. Loss of their young people and our focus has been sort of wrapping around the contractor and their team and supporting them and all of the people, friends, colleagues on site. I went up with our senior management, our medical staff psychologist. I was up there at the crack of dawn on the following morning and we were there to support our people and we've done that. Moving forward, I'm in constant contact with the family and his wife and we're supporting them financially. And the funeral is actually on Friday morning, so there'll be a group of us attending that.

It's one of those things that's memorable for forever, and investigations are ongoing. Police and the Mines Department are handling that. We've done our own internal and that'll take some time to get the information, but when we do, we'll certainly let everyone know.

Our safety in the MinRes business has always been at the top end of the mining industry. Our first quarter this calendar year, we had a TRIFR of 2.21 and we've reduced it slightly for the June quarter, we're down at 2.18. So it's the sort of results that you generally expect to see in factories and controlled environments, not where you got seven and a quarter thousand people working with rocks.

Okay, look, I'll just move through. Mining Services is performing well. We've had another good quarter in the mining services. It was reported I think in the first quarter of this calendar year that there was a drop-off in the mining services, it wasn't really reported properly. We simply had high productivity in one of the projects that we had a lot of equipment on and we got that finished earlier than the client expected and were able to transfer most of the equipment through to Wodgina, which I'll talk about shortly.

In a crushing plant during the quarter for an external contract, and we extended one of the big haulage contracts with their jumbo road trains for another couple of years. So this year in total, just to remind everyone, I said I think at the end of last year, over the next couple of years, I expected to bring in about five new external crushing contracts. So far, we're into July and we've got three in hand.

Mining Services has also finished the Mt Marion upgrade, there's some more work to do down there. They're tidying up on the commissioning and ramping up. And we've got huge demand for these 330 tonne jumbo road trains that we've got and it's sort of right across the country. So we're building them as fast as we can, all of them being built here in Australia, all the trailers are being built right here in Perth. So I mentioned a few years ago, everything that we were doing offshore, we're pulling all our manufacturing back into Australia and we've really got it here. Not all of it, but most of it. So we run the largest workshops probably in Australia now and we're about to double them over the next 12 months.

Iron ore business is going pretty well. We've set around guidance, had a few issues up at Utah Point and Port Hedland Cyclone and they had some issues up there with the ship loader, which hurt us a little bit. Pricing's going reasonably well, the low-grade ore is only around about 10 or 11% on discounts, so we're very happy with that. Costs at the moment are running at the upper end of guidance. There's some pressure out there as the whole world knows around supply chain, labour costs and everything you can imagine, but we're handling that pretty well and we've always managed our costs well and we continue to do so.

Gas copped a bit of criticism a while ago. We drilled one hole and got one of the best onshore discoveries. The second hole was fizzer. We then went down and done North Erregulla Deep-1 that appears to be better than Lockyer, as good as Lockyer was. About 10:00pm last night, we were down in Lockyer-3, we call it about 4.6km down and we hit another mother lode of gas. So unsure how much is there. Obviously a lot of work to do around measuring it, but about 17 metres of pay zone and no water down the hole, so it's going to be high quality producing well. So three out of four wells. If we keep that up we'll be more than happy.

Lithium business running pretty well, I mean, but we're in a growth phase and I think everyone needs to recognise that. So we doubled the plant nearly down at Mt Marion. We've done a lot of work in getting the Wodgina site restarted after we shut down in 2018/19, and we're playing catch up on both the sites. So we've got two trains running up at Wodgina, it'll take us to the end of this year till we can feed them a 100% with fresh rock. Train three will be coming online, I think we've said this before and around December, January. It'll probably take about six months to ramp that up and get fresh feed to it. Same is happening down at Mt Marion.

So a lot of rock to move down there to play catch up and get at that fresh ore so about 80 pieces of yellow goods down there and about 22 drill rigs, so we're moving it as fast as we can. So it'll take us till about Christmastime till we're getting good fresh feed coming at Mt Marion. And again, same at Wodgina, about a hundred pieces of gear we've got up on the hill. We're literally taking the top off a mountain.

Once we get that done, of course the strip ratio will be down to the life of mine average. The costs will come down substantially. So they're adding a lot of costs per tonne of spod going out the door. That's why we're unusual [inaudible].

By the time we get through to the middle of next year, about June next year, I mean we'll have fresh feed going in all the plants and we'll probably have some more news flow for you around Wodgina.

Just to touch on a few of the things that we've done over the last period. When the price of spod comes from \$8,000 to \$4,000 a tonne, it's always followed by carbonate and hydroxide. Sometimes that falls even quicker. So we had an arrangement with Ganfeng. It got to a point where we're simply better off just selling the spod. So just for those of you that don't understand, if it's running around 6% spod, you need about eight tonne to convert it into a tonne of hydroxide. So if you're getting \$4,000 a tonne for eight tonne, US\$32,000 and if you're selling carbonate for \$36 [inaudible] 88 or hydroxide, you can see that you

are really not, if you own the plant, you'd be forced to keep running it. We have the advantage that we don't, so we can go wherever we get the best return. Great partnership with Ganfeng and we had that discussion with them and we just simply said, "We're going to pause and not do that for the next sort of six or so months. But if prices turn around, we'll be back doing it again."

Generally the lithium market out there is strong. The demand is generally stronger than supply. You don't just find a deposit and turn it on. If you're finding deposits outside of Australia, you're sort of somewhere from eight to 12 years before you can get them permitted and get them online. In Australia, you know three to four years to get them permitted. Then when you go build the supply chain out, there's probably another three or four years. So bringing lithium into the market is expensive. It takes a long, long time. All of the approvals that are required from the TLOs, from mines department are getting harder and harder because it appears that half the people have disappeared off the planet so it's just taking longer. The supply in our view is going to lag demand going forward over the next sort of five to seven years.

The average lithium price we're sitting out at the moment is around US\$40,000 a tonne. You know if you go back three or four years ago, I mean we're extremely happy if we were getting \$13 or \$14,000 a tonne for hydroxide. And I mean when we got to a \$1000 a tonne for spod, we thought that it was on a roll that wouldn't last. So I think supply demand, if you have a look at that, always surprised with what the analysts come out. Goldman Sachs, I mean you guys come out in 2021 and you thought that spod was worth \$13,000 a tonne. It was in fact it was six times higher than that. Halfway through 2022 you expected hydroxide to be around \$48,000 a tonne. It was actually one and a half times higher than that. And 2023, you're talking about \$23,000 a tonne and we're sort of sitting at \$60. Next year you are actually forecasting \$13.

So the Western world's demand, which lags behind China, it took the Western world quite a while to work out. They needed to make electric cars and do power storage. They're getting onto it. Over the next 12, 18, 24 months, we're going to see a lot more vehicles coming out of the Western world, Europe and the US. So as that demand's getting stronger and supply's getting tougher to get in the food chain, Goldman's, you are predicting \$13,000 a tonne. Suggest if anyone wants to bet their house on Goldman's, they're going to be a winner.

So let's talk about the MARBL JV. A little bit of commentary out there and I can see that there's a few out there that don't really, really understand the deal. So we had an agreement with Albemarle and we were able to amend it going back some time ago. Discussions were ongoing for quite some time. While those discussions are happening, the market is changing. I mean the market's changing pretty much every three months in the mining industry and we're able to react to those changes.

But discussions with Albemarle got us to a point where we were lessening our involvement in China. And for those of you as that don't know, when Australia's trading with China and Australia doesn't go along with some of the social decisions that are made in China, then they go and ban our coal. They ban our wine, which is not a big deal. We all enjoy that, but they ban a whole bunch of stuff. They don't ban the US and they don't play with the trade in the US. They're much too large and it would affect them too much. But I mean the risk for Australians in China is high and we don't want to trap money in China and capital. That's the first thing.

So the second thing is that the smart thing for us to do is if we can build some down streaming here in Australia, I'm strong on wanting to do that. We're running a study on it. We don't exactly want to build hydroxide here. That is difficult and it's expensive. But we can take our spodumene out to sulphate at 25%, 30% where we can get rid of a lot of the bulk. And our intention is we're going to send that direct into Europe and the US. We're well advanced on discussions around that and we want to have long-term contracts direct with the OEMs and we're advanced on those discussions.

So I mean basically I think the world's waking up that if you want surety of supply, you're going to only spend billions and billions of dollars on assembly lines to build cars, you've got to be able to go and have

a deal direct with the owners of the rock and they're kind of starting to figure that out now. It's not a lot of value in having a contract with a battery manufacturer because if they can't get the rock, then there is no surety of supply for the OEMs. So it's really kind of simple. That's where we're heading.

Having an interest down in Kemerton because Albemarle was supplying the rock out of Greenbushes. Most of the value was being captured in the rock. So our return on invested capital down there diminished to a point where it didn't meet the hurdles and it just simply had to go. It was a win-win for us and for Albemarle. So they've got a 100% of their site back and they're expanding down there.

So we're not investing capital in China at the moment and probably not at all. What we're going to do is we're going to toll treat over there. For those of you that don't know, it's actually a little cheaper for us to toll treat with the tollers than it is for us to own our own plant. The Chinese are very good at being able to build a plant for low cost. They're equally as good at being able to operate it. They've been doing it a long time. There's a lot of capacity sitting in China. They simply go out and build plants without supply agreements.

Currently, there's about 1.6 million tonne of spod going into converters that is not going to be heading in that direction within the next 18 months to two years. So the two plants here in WA, all the spod coming out of Greenbushes is going into China and getting toll treated. That'll come out as these plants ramp up in Kwinana and Kemerton, 800,000 tonnes there. There's at least two 50,000 tonne plants that we know are getting built in China, and they'll be coming online over 12 to 18 months. And all that rock's currently, again going to the toll treaters that'll go to those owner operated plants. So there's going to be a big shortage over there. So the market for us over the next couple of years, the toll treaters is going to be pretty good. And the plants are all qualified. Why would I want to go out and try and just keep hiring people and growing polling or growing the chemical business in a foreign country? So it's really simple.

The other thing that you may not really, it's cheaper to build a plant in China in terms of capital value, no doubt about that, probably about half what you can do it for in Australia, if you're a normal mining company with no construction or design experience, like we have. We could actually go and buy a plant out of China, put it on a ship, bring it over here, and we can use the expertise we've got with our construction people and our design engineering office. We have for the last 25 years at least, we've designed and built every plant that we've got in the business. We even make our own cone crushers and jaw crushers nowadays. So we have that in-house capability and we have all our own mining. We can generally get it done for about less than half the capital costs that normal mining companies will spend when they go out and get those EPC companies that they hand their cheque book to. So we can do that.

As I said earlier, the risk, the geopolitical risk is too high for us. The incentives through Europe and the US are huge. If we can take us there and if we're aligned with the US huge incentives, we have been talking to the government and my expectation is that I believe that the federal government will come to the party, they'll offer some help. They're very, very keen on trying to keep down streaming in Australia if it's possible. I mean in Australia we're famous for being a one trick pony and we just, we're primary diggers. We go dig the rock, put it on a ship and sell it for a few hundred dollars a tonne and then Japan and others send it back to us for about \$50,000 a tonne with a Toyota badge on it. So we've got to get better at down streaming and we will.

I think I've probably said enough on that. Just a few comments that I want to make around some of the comments that I've read lately that really sort of bother me a little bit. I mean, if you've never run a business, I mean a business has got to make money, it's got to turn a profit and it doesn't, you go broke. So we're forever managing and looking at what we're doing. I mean the market at the moment's been very focused on free cash flow on our balance sheet. Rightfully so. None more than me on doing that.

Ben Lyons, some of the comments you made recently, just, I mean total rubbish. It's got, MinRes is the only one of the four large caps that's negative, free cashflow over the next couple of years. Well, I think I've said a number of times, I mean our business probably from end of '20 through to end of calendar year

'24 is literally going to double in size. 35 million tonnes of iron ore we're adding to the business. We're increasing production at Mt Marion. We're increasing production at Wodgina. The mining services business from '22 to '24 will again double. So you know what the EBITDA is that it was making a year ago, it's going to make double that in a couple of years time, and I've said that a lot.

What else can I say? If the business is doubling, we fund the growth internally. We never go out and ask our shareholders to reinvest back in the business. We think that's the management's job and we do that. We've done that for the last 17 years. I have one small raise once, I was reminded of a while ago for, I don't know what it was, I can't even remember, it was tiny. It was about 12 or 13 years ago. I have used where I have to script to be able to bring shareholders like Norway Energy on board. They made it plain to me that they wanted to be around and they wanted to enjoy any benefits going forward, which I was happy with. So we've done that. Our balance sheet since we listed, so 17 heading into 18 years has always been very strong. We have always paid attention to it.

We're one of the very few companies that pay attention. Two things I pay attention to return on invested capital and the total shareholder return. So making sure if I invest money I get at least 20% return with average 21%. I've also said over the last 12 months that my aim is to take that out to 25% and better. So by the time we get to the end of next year, all of the cash that we got sitting out there that's not earning a living at the moment and iron ore and lithium that comes online, I expect that return on a invested capital to bounce up north of 25% total shareholder return, 33% average over 17 years. So making sure I invest properly and get the right return and making sure that I am paying my shareholders both capital growth and a dividend 33% over 17 years. Not too many that have done better than that. And you consider I don't go and milk the shareholders for money.

So look, please bear that in mind when you pick up the pen and you make some of those comments because a lot of them is simply unfounded and they're damaging to our business. So I think that's probably enough, James. Throw it open and if you've got any questions, we'd welcome them.

Moderator:

Thank you. Chris. If you have not yet submitted your text question or joined 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 Kaan Peker from RBC. Kaan, please go ahead after the beep.

Kaan Peker, RBC Capital Markets:

Morning, Chris and team, just a couple of questions if that's okay. Just wanted to get a bit of understanding around how you plan to realise value from downstream and how the conversations have changed with downstream partners. I know Albemarle and Ganfeng are there, but is there any other parties that are currently in conversations with? And I'll circle back with a second. Thanks.

Chris Ellison:

Yeah, so the situation's changed an awful lot over the last six months. And look, we used to sit, I'd sit and look at my business every couple of years and just figure out where we should be stirring at. I'm doing it on a quarterly basis there because it changes that quick. If you have a look at the incentives that have come out... Well, let me go back a step. So if we go back, it's only about three, three and a half years ago, four years ago, most of the car manufacturers were going to dabble in electric cars. COVID come along and it changed the world and we are reporting on our ESGs and everything now like we report on our safety. So four years ago we weren't doing that.

This is all to do with climate change. This is the first time the world's actually got serious on it. So the Chinese got very, very serious on making electric cars, much, much quicker in the western world. Detroit

and Europe was sort of sitting back going, "Yeah, we're interested, but not really." Now they've figured out that at least half their production has to be electric, a route between 2030 and 2035. I mean, there are a whole bunch of different parts of the world that are saying we're not going to register up to 2035. So that's a dynamic that has changed rapidly.

Then the incentives that have come out from the US on anyone that's willing to invest capital and they're aligned with the US. So you don't actually have to be in the US. I mean it's better if you are, but there Europe, we're expecting a lot of incentives to come out of Europe and the Australian government is also trying hard. The Australian government obviously doesn't have the balance sheet of the US or of Europe, but they are trying hard. We're talking to them.

So when you go into China, and most of these don't realise this, you go build a plant in China, that's fine. Once you start operating it's far more expensive than operating in Australia.

... it's fine. Once you start operating it's far more expensive than operating in Australia and that's where the real cost is. So these plants are going to be running for 40 or 50 years plus. So you go into China, you've got like 13% VAT on your spod. You've got to make a minimum profit over there. If you sell your hydroxide in China, you pay the Chinese tax obviously, but then your money's caught there for a year and when you bring it out, if you bring it from China direct to Australia, there's another 10% withholding tax that disappears. And if you send your hydroxide out of China and sell it in Europe, there's another 14.5% Vat. Add all that up and you've got to operate. So that's half the reason we're not going to be in China.

If I operate here in Australia, we know what the taxes are, we know what the quality workforce we've got here, that's where we're going to be. And we're going to partner up with Europe and North America. So much more economic for us. Stability, going forward. Anyone out there right now that wants to buy hydroxide, they want it to come from Australia. That's their first choice in the world because it's ethical and they know that environmentally and the way we look after our people, we do it right. So we're a sought-after product and we want to keep that sanitised if we can. So hope that answered your question.

Kaan Peker:

Sure, thanks. Yeah, indeed, Chris. So the second one's on Wodgina. Just wanted to confirm. So you're expecting clean ore at Wodgina for train one and two in 1Q CY24 and then sort of a six-month ramp up for all three trains having clean ore. And just the confidence around getting that clean ore in 1Q and sort of moving that top of the mountain, as you alluded to. Is that 40 million tonnes and is additional equipment required to achieve that? Thanks.

Chris Ellison:

Yeah. Right now, again, the reason our costs are elevated on the tonne of spod going out is about 80 pieces of yellow gear down in Mt Marion, about a hundred and a bit sitting up on the mountain at Wodgina. High degree of confidence. We know how much rock we are moving up there every 24 hours. We've obviously built a bit of fat in so that we don't get it wrong again on when we're going to get fresh rock. But highly confident trains one and two will be a hundred percent fed with fresh rock by end of this calendar year, and by June of next year, train three will be fed with fresh rock. So be in good shape there. And we're starting to talk about what we're going to do with train four and we're thinking about what approvals look like for trains five and six.

Oh, one other thing I just like to-

Kaan Peker:

Sure, thanks. And just...

Chris Ellison:

Sorry, I'd just like to add one other thing. So where we've rejigged the joint venture, what we used to call the MARBL joint venture with Albemarle, I just want everyone to know it's a real win-win situation for both sides. They got Kemerton back, they know what they're doing in China, we know where we want to be. They're American, we're Australian. They've got more horsepower and longevity in China. They're not putting too much capital at risk.

The partnership with both Gangfeng and Albemarle is incredibly strong. And then one thing MinRes is good at is that we grew up operating in others' backyards, BHB, Rio, Hancock. We are good at managing and operating joint ventures, but the partnership with Albemarle is incredibly strong, and right now they are screaming for rock in China. So there's no pushback on us. It's simply, we brought those plants online quickly and we've got to get at the ore body. But Albemarle need more rock in China. So I read a comment this morning that the Sun... What was it? Potential that Albemarle is pushing back and not taking Wodgina volumes to process into chemicals. And I don't know. Horseshit.

Kaan Peker:

Yeah, thanks. Appreciate it. And just to follow up on the Wodgina approvals, I just wanted to see if train three and four approvals have fully been attained.

Chris Ellison:

Train three was approved a long time ago. What actually happens, train three is actually operating now. So we are rotating the three trains. We might have one and three running or two and one, and we are rotating and we're doing a lot of work up there. We're actually got Curtin University engaged. We've got a whole range of different things happening and we're incrementally increasing the recoveries. So a lot of work going on there and we've got the luxury, while we're ramping up, of being able to swap those trains around and experiment and use one of them as a big lab.

Kaan Peker:

Well thanks, and I'll pass it on, and congratulations on the quarter. Cheers.

Chris Ellison:

Thank you.

Moderator:

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

Paul Young, Goldman Sachs:

Morning Chris. Good to connect and hope you're well. Chris, a question on Wodgina to begin with and just a reflection. I really appreciate the passion. Wind the clock back to, I think it was 2017 when I was at Wodgina with yourself and that's when you just picked up Wodgina for what it was, \$50 million and it's been a great success story for the company. And at that time you're talking about selling that 50% of the asset and obviously Albemarle came into the fold there and I think you sold that original 50% for 1.2 billion.

We've had a lot of changes to the joint venture since then, in and out of chemicals, so to speak, and now Albemarle pays you another 600. So overall, give or take with, I know there's been a lot of working cap and capex movements, but you'll end up getting 1.8 billion pre capital gains tax for you 50% of Wodgina.

In reflection, all said and done and how this has played out, do you think this has been a good transaction for MinRes?

Chris Ellison:

Yeah, hi Paul. Look, thanks for that too. I forgot we were standing up on that rock in 2017. Yeah, it's been outstanding and there's nothing that I've done that I regret. Because it happens then. We had a market cap of 2.16 billion for Wodgina back in 2018 and the whole world thought it was out of control and the price was ridiculous. I wouldn't part with it now for 15 billion US but no, it's been successful. I picked the right partner, no doubt about that. We've got expertise in mining hard rock, designing, building plants, which is exactly what Albemarle wanted. They're on the downstream.

So what I've done, we've basically gone from where we were 60/40 to 50/50 as you know. The other key thing that we did, we've taken the marketing back. So when the spod comes out the gate at Wodgina, we can send it wherever we like now. Before it was all locked in the joint venture. So having the marketing and the offtake, I think the offtake's worth more than the mine because that's all the OEMs want.

So yeah, I'm really, really happy with where we've got to and really have just spent nine days up in London with Kent Masters and his team, and we really sat down and we really got some good plans for where we're going in the future. We'll be able to publish them somewhere down the track once we sort of get them in writing.

Paul Young:

Yeah. Okay, thanks Chris. And the next question is on the downstream strategy. To be honest, it's hard to actually scribe any value to the downstream at this point just based on, I guess, the history and track record of what we've seen out of China. China knocks these things up in nine months' commissions and ramps them up in two months, and we struggle here in Australia. There's a range of factors there, which you know about with respect to underspend and bad design and COVID impacts, et cetera.

But you've been very good at crushing, mining, screening, et cetera, more the upstream. So I guess the challenge I've got is that the strategy of Wodgina has changed so many times. How do we actually back you guys to actually put a sulphide process in and actually put the kiln and the leaching and all that backend in place until we actually see you align yourself with it EPCM firm that actually has the credentials. I'm just really struggling to see how we actually back this new strategy.

Chris Ellison:

Yeah, Paul, don't get caught up in too much detail and try and figure out how to make a Meccano set. We're simply here to make money. We happen to have lithium and iron ore and gas and all that stuff to do it, but I'm focused on return on capital, shareholder return. I keep saying that. So I'm going to say for the next two, two and a half, three years, we'll be sending all the spod we make out of Mt Marion and Wodgina, it'll all be going to China, it'll be going into toll-treaters. The only subtle difference is that we don't have capital and own the plants up there. And why would I want to? Those guys up there for 150 million to 180 million, they can build 50,000 tonnes. So if it's Chinese branded.

So I go up there with that capital value and all they want is to toll-treat. They're struggling to find rock to toll-treat because most of them are built plants and they don't have rock]. So it's crazy to own. You guys get carried away and you go, "Everyone owns their own plants. That's the only way to go." Well, if you want to take a goddam taxi Paul, you don't own it. You know what I mean? It's much cheaper to get in... And that's the case with us tolling in China. We can put it into high quality plants, plug it in, pay them a fee, get it out the back end, and then we can sell it in China. Or we can pay the 14.5% VAT and send it out of China. And right now that's your only choices.

I'm certainly not going to go up there. I can go up there and buy some plants if I want for a couple of hundred million. I could have 50,000 tonnes for 400 million. I can have a 100,000 tonnes. But as I say, I don't want to be doing it in China. And you'll see a couple of years down the track, remember it was six years ago, Paul, we stood up at Wodgina, and about three years from now we'll be standing on a plant t nothing to do with China and we'll be making more money.

So we will make more money. So I've saved over a billion dollars of cash going into China. So get your head around this and do this in your spreadsheet. My sales will go up. My bottom line will be more, and I've got no capital invested. And what do you think I'm going to do with that capital that I've saved? I'm going to go and put it somewhere where I'm going to get 25% return plus.

Paul Young:

Yeah. Chris, yeah. Again to the point, it's all about a spreadsheet and assumptions and I just think that you need to stay upstream and not take the risk on a downstream investment. No matter how many governments and OEMs want to throw money at you, all they want is cheap end product. You've built this business over the last 20 years staying upstream and that's probably just what I'd like to say.

Chris Ellison:

Okay, well let me just remind you of something too. So when I built my very first crushing plant 31 years ago, I had no idea what I was doing. We're the largest crushing contractor on the planet. Can you believe that? I'm adding more and more tonnes. We've added 30 million tonnes this calendar year so far to our crushing alone. We've just built the largest off-highway haul trucks on the planet. 330 tonne they move.

When we built Wodgina and we built Mt Marion, we'd never ever built a spod plant in our life. We had no idea what we were doing. There was no EPCM contractors out there, still to this day, that knows how to build a hard rock spod plant. And that's because the industry is so young. We have the best spod plant on the planet sitting at Wodgina, designed and built by MinRes.

Now believe me, if I want to go and do sulphate, it is not rocket science. There's actually one design engineer sitting in China that has actually designed every hydroxide and carbonate plant in China. We've got them on the payroll and they're doing the design on ours. And all we need to do is pick it up, put it on a ship, bring it out here, and concrete it to the ground. So Paul, I can do it. It's not that difficult. Let me frighten you even more. Not too far down the track from now, I'm going to be building and operating a gas plant.

Paul Young:

Okay, thanks, Chris. I'll leave it there. I'm hogging the phone here. I'll pass it on.

Chris Ellison:

Okay, well next time we're going somewhere and two years from now, I want you to be with me.

Paul Young:

I'll be there guaranteed. Send the invite.

Chris Ellison:

It'll be there. Thanks, Paul.

Moderator:

Thank you. The next question is from Kate McCutcheon from Citi. Kate, please go ahead after the beep.

Kate McCutcheon, Citibank:

Hi. Good morning, Chris. It's good to have you on the call this morning. I just wanted to clarify the strategy for downstream integration. So peers are talking about the game being speed to market, to ink off-takes for the chemicals, so your comments are interesting. Can I clarify, firstly, you said you were seeing OEMs interested in the midstream products, so presumably further refining themselves? And then secondly, is midstream an interim strategy or a final strategy per se, or it's subject to some of those moving parts like the government's appetite to help out?

Chris Ellison:

Yeah, hi. Thanks. Good questions. So our intent and what we're aiming to try and do is instead of... We send rock to China at 6%. What we want to do is we want to refine that a little bit more on the mine site. We want to take that to about 30%. So that gets rid of most of the bulk and we've got the tailings facilities on site to clean that up and do that, reduce our shipping costs. And, unlike hydroxide, it doesn't have a shelf life. It'll last forever. Hydroxide's got a shelf life of probably six-ish months or a bit longer.

So we take 30%, and sitting over in Germany and in the UK, they have chemical parks over there, and a lot of the industry in those parks has fallen over. So steel making, urea, anything that's energy intensive because the cost of energy, as we all know, has gone through the roof and they're going broke. So we've had substantial interest in being involved in those hydroxide plants sitting in those parks. And at the moment, the discussion is that we wouldn't be putting any capital in it. We'd be getting a shareholding. We could toll-treat through there and all our contracts and long-term off-takes we will have direct with the OEMs. So that is our intention, and unless something better comes along, that's what we'll be doing.

Mark Wilson, Mineral Resources:

Kate, it's Mark Wilson here. Good morning. There's one point I'd like to add, which I think is important in this market. Chris alluded to it earlier. With the revised Albemarle deal, we're completely free now to deal with all of our spod in whichever way we wish. There isn't another player in the market that has access to that flexibility. And it's that flexibility that I think the market's missing because the demand is there and we have choice now to set our own destiny. And that's what Josh and the team are working through.

Kate McCutcheon:

Yep. Okay. And just a quick one on Mt Marion. Any comments on the driver in the... Are you still thinking about a 50/50 split between low-grade and high-grade product moving forward on that asset? Is that just dependent on getting more fresh ore?

Josh Thurlow, Mineral Resources:

Yeah. G'day, Kate. It's Josh Thurlow here. Yes, that's right. It'll be a 50/50 split going forward as we move through different parts of the ore body. That'll change slightly, but generally it's a high-quality product, it's coarse, it's quite unique in the market. Gangfeng like it. It works well for their plants and they produce a good end product from the Mt Marion 50/50 split. So it'll fit better.

Kate McCutcheon:

Okay, thanks Josh. And then my final question, thank you for breaking the news on Lockyer Deep 3 on the call. How are you thinking about that business now? Any comments you can talk to around how you're thinking about the size of an operation, timelines for that? Any other comments?

Chris Ellison:

Yeah, sure. I like that Perth Basin. I thought it had a lot of potential and it was under explored and it turned out to be right. So our capital in getting into there's been pretty low. We spent a little money trading shares for Northwest Energy and I'm very happy. I was happy at the outcome at the time and happy now.

So what am I thinking? Originally we wanted to be self-sufficient and be able to control our energy costs going forward for the next 20 or 30 years. We've done that in spades, but we've now got a lot of gas. So what I think I'll be doing is we'll be building a plant up there and we've already started a study on it. We've got external engineering engaged. We pretty much know what size we want to build and we're going to get that underway. Probably come out towards the end of this calendar year with exactly what we're going to do on that. But it's going to add a huge amount of value to the business and it'll be welcomed by the WA government. They're a bit concerned about gas supply going forward and I think that's going to be a big help in balancing it.

I'm very happy with that. We see gas as a traditional fuel. We're trying as hard as we can. We want to get out of diesel, we want to get out of being connected to any coal-fired power, and we're doing all those things. But unfortunately, until someone comes along with green juice where we can go down to the bowser and buy it and put it in our equipment, we've just got to use the sun and the wind and gas to be able to minimise what we're doing. But certainly, it's going to be a significant contributor to the business 18 months, two years out from now.

Kate McCutcheon:

Okay, thank you Chris.

Chris Ellison:

Thanks.

Moderator:

Our next question is from Glyn Lawcock from Barrenjoey. Glyn, please go ahead after the beep.

Glyn Lawcock, Barrenjoey:

Chris, good morning. Chris, I'm still a little bit struggling to understand. It's great that you've got out of the MARBL JV downstream in China. You got out in four months, not four years, as you said to me back in February. So well done. But you also said on the call Albemarle is going to have to divert 800,000 tonnes of spod from Greenbushes to Kemerton to feed it. So they're going to be short. How do they feed their plants in China? I know you said you're not committed to selling to them, but for how long are you actually committed to sell to them before it's completely free? To me they now, on face value, seem short and so they've walked away with feels like the wrong side of this deal.

Chris Ellison:

Yeah, no they're not. They're certainly not short because right now, they've got their own plants in China and they've been feeding those plants out of China for years. When they built Kemerton, they probably ordered the rock to come out of Greenbushes about three years in advance. That happened a couple of years ago. And Greenbushes produces the rocks. So they have to... And I don't want to talk too much about Albemarle's business, but they've had to divert it up to China. Plenty of capacity there to treat it. And it's a high-quality plant they built at Kemerton. They take a bit of work to get them to go, but they've got a good team down there and that plant's starting to fire. So eventually, that plant down there, it's a 50,000 tonne plant. So that will consume about 400,000 tonne of spod. 6%.

The guys down here at Tianqi and Kwinana have got a plant that's 50,000 tonnes or thereabouts, and that's about 400,000 tonnes of ore coming out of Greenbushes and currently being toll-treated. So when those plants go, there's 800,000 tonne. There's two other plants that we know that are getting built in China, both 50,000 tonnes. So there's another 800,000 tonne that comes out of the toll-treaters.

But right now, most of our ore going to China is being toll-treated and it's got capacity. The toll treaters are going very, very concerned. They're going to run out of rock to toll-treat even with us sending all ours out there. It's going to be a problem. I don't know why everyone's so fixated on the fact that you've got to own your own plant. Our crushing business, don't forget, we're toll-treaters. We toll-treat rock for the largest mining companies in the world. And why do we do that? Because we can do it for less than them because they're running their whole mine. We're just running a crushing plant. So that's why we're good at it. So toll-treated is a good way to go. Uber got really big really quick because you don't have to own your car if you want to go for a drive.

Glyn Lawcock:

No, fully understand Chris, and I, like Paul, believe you want to stay upstream in the margin. Downstream will get competed away as you get over capacity in the conversion side. But so just so I'm clear, come middle of next calendar year '24, if you want to take your spodumene away from Albemarle's plants in China because someone offers you a better tolling deal, you have that capability. You're not committed to an Albemarle plant beyond middle of calendar '24. You can toll anywhere. I want to know how you can get your 50% share of Wodgina spod out of China. Can you effectively get it out China if there's an alternative option from the middle of calendar '24?

Chris Ellison:

Absolutely. I may not have been totally clear on this. So for the deal to close, we're waiting on FIRB approval to come through. So Albemarle will get that to move to a hundred percent ownership of Kemerton. Once that happens, that's settlement date. So we will settle and all things will happen. And I get my check, not for \$600 million but \$700 million in the bank. Albemarle graciously have said that they will stick with us and we'll work together and continue toll-treating MinRes' dirt up there.

Just so you understand, none of our dirt has been going to Albemarle plants. It all goes to toll-treaters. Always has. Albemarle's plants up there have always been full with production out of Greenbushes. They're building new plants up there and down here at Kemerton. As they ramp up, they'll just divert some of theirs away from the toll-treaters. We'll continue with the toll treaters. Albemarle, in some areas they'll simply pass us and we'll deal direct with the toll-treaters. We're assembling a team up there now, remembering that we've been selling iron ore into China for about 15 years and we're well-connected with that. We've got a very good marketing team wrapped around iron ore and they've sold manganese, they've sold spod. So transitioning into that's not a biggie.

Yes, they've sold spot. So transitioning into that's not a biggie. And we're starting to put people... We've got people on the ground up there now. So we will simply step in and take over with some of those toll treaters. Other areas we're working at the moment and we're identifying other quality plants. We've got to do audits and we've got to put feed through them. That'll all happen between now and Christmas. And then come January, we'll slowly be up there beside Albemarle and we'll be taking over and dealing with our own product.

Glyn Lawcock:

Okay, that's clear. And just maybe a follow-up for Mark, if I could just quickly. Just the change of everything now, even though you're going to tolling from your own plants, I assume we still have the six-month lag on cash receipts and we've now almost finished the working capital adjustment for Wodgina as it switches across to tolling slash downstream.

Mark Wilson:

Hi Glen. Good morning. Yes, I mean obviously the deal with Albemarle changes the capital piece of the business. And just going off-piece for a second, we've said consistently for some time that we've had a lot of flexibility in the business to be able to move, to respond to what we need to do to protect the balance sheet. And Chris has been very clear on that as long as [inaudible] him. In terms of the working capital, I'm comfortable with where we're at with the working capital and the impact on the business. This tolling arrangement is better for us on the balance sheet because we can direct where the sales go. We've got more control over the end transaction and where the cash ends up.

Chris Ellison:

And sometimes-

Glyn Lawcock:

Okay, thanks very much.

Chris Ellison:

Sometimes it's prudent to go and just sell the odd cargo of spot depending on where the market's sitting. So we can make that choice, but we will control the supply chain now. We're much more agile and we are flexible around... We're happy to sell the odd cargo of spot if we're going to make more money than running it through the toll treaters and converting it.

Mark Wilson:

And the other point, Glen, is that we've also got more flexibility with the commercial terms that we transact upon. So hopefully it was Albemarle that was controlling that process and they've been doing it for a long time. They do it in their way. We've got the flexibility to do that in the MinRes way going forward.

Chris Ellison:

Sorry, can we just add one other thing too? So when we send product out there, we basically sell it from MinRes Australia to MinRes China. The one thing we're very conscious of doing when we're doing that is making sure that we're always selling it on an index based price. So in other words, at market value. So we get a huge amount of the cash that way, even though we're selling it to ourselves, we sell it as if it's to a third party. So arm's length type transaction and the cash comes back via an LC. So that's also hasn't been happening. So we'll probably, at the moment we'd probably get two thirds or three quarters of our cash very quickly. Yeah, so look, I mean... And we will be able to run the supply chain a lot leaner. So yeah, we've got much more flexibility doing what we're doing.

Glyn Lawcock:

Okay, thanks very much for the co-op, appreciate it.

Moderator:

Our next question comes from Lachlan Shaw from UBS Lachlan, please go ahead after the beep.

Lachlan Shaw, UBS:

Morning, Chris, Mark and team. Thanks very much for the update and well done on the quarter. So just a couple questions from me. So maybe firstly on mining services. Volumes fell year-on-year, so just interested in, I guess the market outlook and the competitive landscape for external volumes in particular.

You cited, Chris, a couple of positive comments around crushing, the wind and also, the three 30 tonne haul trucks. What might that opportunity ultimately be for your business going forward?

Chris Ellison:

Yeah, look, twofold. So the market tends [inaudible] outside and internal mining services nowadays, but on the internal, basically what we do, we'll go out there and find an ore body and set up a joint venture. And that's what we've done with Onslow Iron. So we own 60.3% of the ore, but we've got up there... But MinRes owns the supply chain. So the road from the mine gate all the way into Onslow, the port, the wharf, the outload facility, the big trans shippers, the trucks. So that's all mining services. So that's getting added to the business progressively as we ramp up from next June going forward.

And we... How do you say this? So because we export commodity, we can do things with our contracting business that our competitors can't do. So the level of training that we put into our people that results in those figures, I read before, a 2.2 tripper rate, I mean almost unheard of in the mining industry. But all of those come off the back of the fact that we are a conglomerate where we're doing commodities and the commodities training flows onto the mining services business. So that gives us a lot of horsepower also to develop innovation.

So these trucks, we've developed them in-house. The transshippers, if you have a look at them, I'm going to load ships at Onslow for 40% of the cost of what I load them for in Port Headland over Utah Point. So just to give you a sense of it, my cost in Onslow on trucking is, again, it's about 40% of what it is in the top of the Pilbara. So the big trucks give us real benefits. So the big trucks are similar to a medium gauge railway line. So huge interest.

I mean, look, we are building the trucks as quickly as we can. We've probably got about 60 of the big jumbos running now. And as quick as we build them, they're going out to third parties. And then when we take that to them, it's much better that they have us doing the crushing because we're the safest contractor in Australia. We've got the best technology, the crushing plants we put on the ground, these next gen plants, we call them, there's nothing in the world like them. So we've got a huge advantage and we keep multiplying that advantage. So I know it's kind of hard to explain it, but we win most of those jobs because we deliver such a high value product to our clients.

Mark Wilson:

Lachlan, it's Mark. There's one further point I would offer, and we've talked about it previously. The external environment continues to get more difficult for everyone in the industry. The regulatory framework gets more challenging, and so that ability to be agile and flexible is why the clients keep coming back and that's creating the opportunity for us. They need a group that can actually pivot and help them quickly. And we can do that because of our structure, our supply chain, our workshop, our workforce, the spares that we carry. So what I'm saying is that the external environment is helping us with our mining services.

Lachlan Shaw:

Understood that. That's great. Thank you both. And maybe then just a follow-up, so just on tolling, agree Chris, that makes much more sense than investing downstream to lithium hydroxide right now. And certainly China is getting better and better and cheaper at converting to chemical. But maybe just for the previous tolling arrangement at Mt Marion was a sensible decision to cancel that given the commerciality.

So a couple questions. Will there be, just to confirm, will there be any financial impact in FY23? And then secondly, going forward, and if you're looking at tolling going forward and the cost of conversion in China, the very, very low capex, very low returns on invested capital there, how do you see toll chargers evolving

over time as we get that build in excess capacity in China? Clearly the starting point would be that toll charges would likely fall, but I just wanted to get your thoughts on that. Thank you.

Chris Ellison:

Yeah, look, I think they will fall somewhat, but we're not, again, what we're looking for here is a good relationship with the tollers. I mean, we've built our business on that, on being fair and reasonable. We don't want to go in there and try and cut their throats. I mean, we want to have that right sort of partnership. Because we want quality product coming out of it, consistent quality product. So look, there might be a reduction in the charges, but I mean we're not looking to go and do anything significant on that. We're all about building that right relationship with them and making sure that what we are getting works. And that's exactly what we've done with all of our clients over the last 30 years. That's why they keep coming back to us.

I mean, if they're in a market where it's really hard to get crushing done or get haulage done, and it happens all the time, we're like McDonald's, we serve the Big Mac at the same price wherever we go. We're consistent with our pricing, our service so we're going to be the same up in China. We're going to be well-behaved up there, we're going to be respectful because that's the way we behave in Australia and we're going to do that worldwide, and we hope that that has an impact as well.

Lachlan Shaw:

Great, thank you. And then just one final one super quickly. So just, Onslow, look, well done with getting all the approvals and permits. Great to see that's now on the critical path to first tonnes mid next year. Can you just talk to, I guess, maybe specifically in terms of this project, but also more generally CapEx. Industry-wide, we're seeing a lot of inflation still and still delays. So just interested to understand how you're seeing perhaps the risk around capex and execution at Onslow, but maybe more broadly as well.

Chris Ellison:

Yeah, no, look, so we had a timing issue down at Mt Marion that ran on a little bit longer. But again, because we build and do everything in-house, if there's a hold up on supply chain in getting equipment out of Europe or wherever it's coming from, we just don't mobilise those people to site. We'll move them somewhere else. So we got Mt Marion done. We were out of time, but we got it done under budget. And the one thing that we are reasonable, one of the many things we're pretty good at is, I mean we know how to build and we know what the risks are, we can adapt very quickly. So regularly, monthly reviewing where we're going up at Onslow, I sat down around... had a couple of sessions on that only a couple of days ago.

Now, I'm going to say, and I've said this before, I'm going to say it again, there is no risk of us exceeding the budget. Mark hates me saying that, but we're not going to exceed the budget up at Onslow on the... And I want to make a couple of other comments as well.

So the federal government helped us up there to get those approvals done. We got them through in 11 months. So I'd like to... And we've acknowledged the federal government for doing it. They'd done it because they want to add value to Australia. The state government was right in there with us as well and understood the status on that project. They had a JITS person assigned to the project and I think 13 months with the state. So outstanding results we've got. And we're managing that budget extremely well.

Other areas, look, I don't see any other areas we've got, where there's risk out there. But look, I can see why the others are running over because sitting inside MinRes, I mean we've got all our own costing and our engineering, our design, our innovation, everything happens inside. And if something happens out there, we can stop, we can adjust. And there's no doubt too, I mean our team have built the right factors into their model. Going forward, we recognise the issues around supply chain, but it's... Look, let me say

this, it's all under control. If it's not, you can come back at me, but we're not going to run over budget on Onslow.

Lachlan Shaw:

That's great. Thank you. I'll pass it on. Thanks very much again guys.

Chris Ellison:

Okay. Thanks.

Moderator:

Our next question comes from Hayden Bairstow from Macquarie. Hayden, please go ahead.

Hayden Bairstow, Macquarie:

Good morning, guys. Chris, just want to touch on Mt Marion, just with this sort of underground drilling you've been doing. Is it getting to a point now where underground economics are looking pretty attractive versus where that pit is, given strip ratios and where the cash costs are already? I mean, is that where you're thinking with, and getting your head around underground costs? And you've obviously got, you've had equity stakes in some of these other regional players, are you thinking about making Mt Marion more of a hub and making it bigger over time? Just keen to understand what the overall strategy is there.

Chris Ellison:

Yeah, look, I'll just make a couple of comments and pass that over to Josh. First of all, Hayden, congratulations on. You do your homework well and you understand the business pretty well and you pretty much nail it every time. So well done on that.

Both those deposits, so Wodgina and Mt Marion, when I drilled out Mt Marion originally back in 2010, I had to spend a certain amount of money to earn a 30% equity interest in it. The day I spent that cash, I turned the drill rigs off and we never put another drill hole in the ground. So that's open in all directions and it's certainly, Josh has proved it's open at depth. I did exactly the same with Wodgina. It was a little different. I own Wodgina. I got up to about 270 million tonne of resource and I told them to stop spending money. So again, Wodgina is open in all directions and we probably haven't gone any deeper than about, I think I've mentioned this a few times, we've never gone any deeper than about 500, 550 metres up there.

But Josh puts some exploration down under Mt Marion a while ago and I'll pass it over to Josh and he'll explain to you the detail that I don't understand.

Josh Thurlow:

Yeah, Hayden. Yeah, the potential for underground at Marion is excellent. The numbers that we sort of work on, once you get to a strip ratio of between 9 and 12, somewhere in that area, it makes sense to go and look seriously at underground. Based on the operating costs, the geometry of what we're seeing come through on the drill holes, it lends itself really well to underground. There's a big vertical, nice, wide, long feeder zone and we haven't reached the bottom of it yet. So it lends itself really well in terms of a cost perspective.

In terms of a hub, we've got a really strong foot in the goldfields there, like you said. We do want to build a hub in that region. It makes sense for us. We know the region well. We've already invested significant capital there and we're in a great spot to leverage the capital, the people and the knowhow we've got in that region. So yeah, it makes sense for us.

Hayden Bairstow:

Okay, great. Thanks. I'll leave you there. Thanks for that.

Chris Ellison:

Sorry, just, Hayden, on that, I mean we'll be open-pit mining down at Mt Marion, I'm thinking, for the next 20, 30, 40 years. That will be running underground in parallel with open-pit just to give us different... or a more balanced blend if you like going into the plant. And we've got some numbers. Josh, what are the numbers for us to put a portal in and a drive down?

Josh Thurlow:

I mean if you're talking about an exploration decline, it's going to be under 20 million.

Chris Ellison:

Yeah. So I mean to get to the ore underground, it's not a big number. I would think that we'll be looking at doing that in different areas going forward just to give us... The more fronts we can get to the ore body, the more consistent we can get the blend going into the plant.

Moderator:

Thank you. The next question is from Ben Lyons at Jarden Securities. Ben, please go ahead after the beep.

Ben Lyons, Jarden:

Oh, good day, Chris, Mark, Josh. Chris, firstly, thanks for your feedback on my free cash flow forecast. I guess the fixation with owning conversion facilities in China and building in the requisite capital expenditure into our forecast, I guess that largely comes from that being the clearly enunciated strategy which has been communicated by your company to the market over the past year. But as you yourself have just pointed out, you've removed over a billion dollars of cash that's now being directed at China. But we've got no clarity on the likely amount of capex that'll be invested in downstream conversion capacity elsewhere, whether it's Australia or Southeast Asia or somewhere else. So just to be clear, are you expecting to be free cashflow positive in fiscal '24 despite the bulk of the remainder of that 3 billion in Ashburton CapEx going out the door?

Chris Ellison:

I would think when we are growing the business the way we are... And look, Ben, I mean, look, if you've got... And I'm pretty much available to everyone. If you've got some queries or issues, pick up the phone and call me before you put pen to paper because the relationship we've got with our joint venture partners is second to none. And to go and put that in the press and to have Kent go and wake up and read that over, and then Charlotte, it's just not good.

And the other thing is that you've got to understand, I mean if you've never run a business, understand how it works because I started this business off 31 years ago. I had \$10,600 in the bank. We're now in the top two or three on return on invested capital on the ASX and we're probably in the same spot on total shareholder return. And I don't go out there and tap shareholders for it, I go out there, I borrow it or I generate it out of earnings. So not a bad track record. So I just don't like getting kicked in the balls and I apologise if I've been a bit strong on that.

But yes, I did... The circumstance... The deal that I had with Albemarle, when I'd done a 2.16 billion market cap on Wodgina, it was that I had to suck it up and I let them do the marketing. That was a mistake and I put my hand up for it because the best deal going forward, is them market their own and us our own. And

we have a different way of doing things. Australia is vulnerable in China, America's not. They can lock China out of... Australia out of China and it won't affect them too much. Excluding iron ore, of course.

So the dynamics for us are very different and they're fluid. I had the opportunity to be able to get our marketing back and to be able to increase our market share of Wodgina. And to do that, Albemarle said, "Well, if you want to do that, give me Kemerton back." And I said, "Well, I'll give you 25% back." And then eventually we found a way of getting to the whole thing. So it was an evolution. And you have to have market change for them to start thinking differently to the way they were two or three years ago. And as the market changed, I was able to get into a better position for MinRes, but at the same time, Albemarle got in a really good position with their own assets. So that's kind of how it evolved.

Now, I can't... I mean, everyone was screaming that I'm going to have a problem with my balance sheet, and I go, "Well, how do you figure that?" For freaking years, I haven't had a problem with that. And all of a sudden, because I can't go and announce to the market what I'm doing until I get it done, until the ink dries, I can't tell you what I'm doing. But I knew six months ago where I was going to be come June, July, and I kept telling everyone, don't worry about the balance sheet, I have it under control. So I don't know if that answers your question.

And we're running a business here that's doing iron ore and it's doing lithium, doing gas, we're doing mining services and we're kind of at the top of our game with all of them. So I think we're doing... And I've got the best management team in the country. I mean the business is pretty well run and that's not patting me on the back, that's the team that I've got that run it.

Ben Lyons:

Yeah. Okay. Thanks for the comprehensive response. Maybe, Mark, can you address the free cash flow question for fiscal '24 please?

Mark Wilson:

Ben, I'm not going to give any guidance in '24. We've got results in a month. We'll take you through the plans then. We're always very open around what we're doing. You understand the aspects of the business we're working on, but I'm not going to put numbers out now in terms of '24. And you'll understand why I said that.

Ben Lyons:

Okay. Yeah, absolutely, Mark. Thank you. Maybe just one more. Certainly, Chris, I respect the returns that you've generated and absolutely not going to try and advise you how to run your business as maybe other participants on the call might have tried to do. But I'm concerned also about the recent decision to terminate both of the conversion agreements with two of the most technically proficient participants in the lithium industry globally. So maybe just a simple one on the lithium sulphate strategy, are you wedded to going that alone or would you still consider bringing in a partner who might bring some technical capability to that process? Thanks.

Chris Ellison:

Yeah. Okay. And let me be a little bit clear. The termination that everyone uses, it's no termination. I mean we've got a great relationship and partnership with Gangfeng. I mean it was a teams call. We rang them up and said, "Guys, the price of selling spot is about line ball with trying to turn it into hydroxide when you add the cost. Why don't we... We'll just go sell our spot." And they said, "Don't mind that, but will you sell it to us?" And we said, "Of course, at market price."

That's the extent of the cancellation of contract. And then a couple of months from now, if the price of hydroxide goes up, we'll have Xiaoshen back on the phone from Gangfeng and we'll say, "Let's start

making hydroxide again." That's kind of how it works. And there's no cancellation with Albemarle. It's just we took our marketing back. Because we want to go and market it and set up long-term arrangements with OEMs. And we, in the short term, short to medium term, we're working together, us and Albemarle, still work together in China. And we're, toll treating, our ore has always gone to the toll treaters over there. Never to an Albemarle plant.

And look, by the way, Albemarle are very, very good at what they do with hydroxide, but up until 2015 they weren't doing anything to do with lithium. I mean, there's a point in time when everybody is new to something. And look, we have the skillset to go and to... I mean, we've got the best in the world doing the design on the plants now, for us on the study. And look, and the opportunities there, if I said to Albemarle why don't we do a joint plant up at Wodgina, and I've spoke to Kent about that, they would certainly consider that. They said to Ganfeng "You want to do one down at Kalgoorlie?" They'd be up for it. We just haven't crossed that bridge yet, but look, when we do, like we always do, we'll come up with the best, safest way of being able to add the value to our Lithium business, whether that's here in Australia, and I've said, "We'll build in Australia, but I need the government to help and support us. If they don't help and support us, we're screwed. We'll be going offshore." But we'll go to a safe zone. I mean, my preference is, though, I want to head to the OEMs, but to get there, I've got to have white powder to sell them.

Ben Lyons:

Okay, thanks very much for addressing my questions, Chris. Thanks.

Chris Ellison:

Look, just one last thing. The other thing I can do is ... I mean, I can go buy a plant out of China, buy this organisation that puts them together. I can go put it on a boat and bring it out here. MinRes has got a very good track record of being able to build plants here in Australia at the right capital cost. Look, as I've just said earlier, we will not run over budget on Onslow. It's a three and a quarter billion dollar build and we've had that price on the table for a couple years, but we got it right. We knew what to put around that price to make sure that we could get it right. I need to be able to get my 21, 22% return out of that and we will. Look, we can do what we say and granted, we overrun our time at Mt Marion on the upgrade, but shit, that's about the first time we've ever done it.

Ben Lyons:

Yep. Nobody's questioning the engineering capacity and the best of breed technical capability that you bring within the business, Chris. It was more just questions about the downstream strategy and the free cash flow generation in the short term. Thank you.

Chris Ellison:

Sure. Ben, next time you're in Perth, drop around and have a cup of coffee and we'll see if we can have a good discussion around where we're going.

Ben Lyons:

I'm Perth based, Chris, so I look forward to catching up for a cup of tea shortly. Thanks, mate.

Chris Ellison:

Even better. Good on you, Ben. Thanks.

Moderator:

Our next question comes from Raul Anand from Morgan Stanley. Raul, please go ahead after the beep.

Rahul Anand, Morgan Stanley:

Hi, Chris, Mark and team. Look, perhaps if we switch gears a bit and go to Mt Marion. Chris, congratulations obviously on completing the project within budget. I wanted to touch upon how does it look now in terms of going into perhaps the next year, how does that ramp up profile look? Then also how should we think about the costs as well? When can we start seeing some of the benefits come in of perhaps an improving strip ratio, improved volumes. Then just to follow on from that, when are you expecting some of the drilling results as well from Mt Marion?

Chris Ellison:

Well, I'll hand it over to Josh on that one, Raul, but I mean there's a few little questions in there that are kind of crossing the line. We're not going to talk about costs and the like. Look, as we said, we're pulling the top off that the mountain down there as well. We've got over 80 pieces of yellow goods down there. We've got a plan, we've got a budget, and Josh's team watched that every 24 hours and it's going pretty well so far. But look, I'll let Josh ...

Josh Thurlow:

Rahul, look, the main focus down at Mt Marion now is opening up ... Chris touched on it earlier, opening up new mining areas, so getting as many mining fronts open as we can to make sure that we have that consistency of feed and ramping up the plant now that it's constructed. It's tied in. I'm really happy with the way the tie in and the commissioning went and it was as smooth as it could be. It was a really good tie in. We'll give you guidance in the coming months, so I won't touch on exactly what the production profile or the cost profile will be down there, but I'm happy with the way it's going. We're focused on opening up new mining fronts and ramping the plant up. It's a quality plant. As I said earlier, it's a quality product as well. There's not many places that produce that really coarse product that's sought after by the converters.

Rahul Anand:

Josh, just quickly on when are you expecting some of the results to start coming through in terms of drilling, et cetera, the potential there?

Josh Thurlow:

We're already releasing those results. You would've seen some, I think it was last month that we released, or maybe the month before, we released some of the results from the underground, some of those deeper holes. We've now drilled over 500 metres below the bottom of the life of mine pit, and we're still getting good intercepts of nice wide pegmatite zones, mineralized areas, and good grades of lithium. We're really happy with that and that's only encouraging us to do more. We're going to have more drill rigs down there. We're going to be ramping up the number of number drill rigs down there to 12, from six at the moment. That'll include some resource definition rigs, but there's a lot of exploration potential down at Mt Marion, and we're systematically peppering that place. As we do, we continuously find more pegmatite and more lithium, which is fantastic.

Rahul Anand:

I mean, in terms of a resource update, any sort of timelines you are working to, or is it more as you progress and as you get more metres in?

Josh Thurlow:

No, as we progress and we build the resource out, you'll know as soon as we do, we'll go through our process, we'll do our studies and we'll release the updates as they come.

Rahul Anand:

Perfect. Chris, one for you, and apologies, you've talked a fair bit about your lithium strategy today, and I'm sure it's perhaps erring on the side of irritating to keep repeating yourself, but there's one thing that I wanted to cover specifically. In your comments, you have talked about potentially thinking about a plant in Australia, given the assistance of government and potentially looking at other downstream options, not just a sulphate route. What I want to understand is obviously at Kemerton, you initially had that 40% ownership, that was then down to 15%, and obviously now that's gone down to zero. Was there an opportunity to hold onto that? Why was that let go? I mean, do you want to be a majority owner in a plant? Is that why? Just trying to understand if there was potential to hold onto some of that downstream capacity at all?

Chris Ellison:

No. Rahul, it's a commercial decision purely. When the rock's going into the hydroxide plant, the hydroxide plant buys the rock and it's buying it from Albemarle. Greenbushes rock to Kemerton, and I'm going to go 80% of the value was going to be who owns the rock. I've always said, if you own the rock, you're God. I mean, everything else, you can go buy hydroxide plants or car manufacturing plants or battery factories, but it is very, very limited on the planet who owns the rock and controls the lithium. We've got high quality. We've got two tier one ... Well, Wodgina is certainly a tier one asset, and when Josh finishes filling out Mt Marion, that'll get reclassified as well. But I mean, we've got two of the best hard rock deposits on the planet and we want to make sure we manage them responsibly and get the best value out to our shareholders.

But my return on capital coming out of Kemerton was awfully low because I don't own the rock that was going into it. I could have taken Mt Marion rock then, but then you got the difficulty of blending that with the Greenbushes rock and it wasn't going to work. I can take that cash out of Kemerton and I can go and reinvest that in other areas and look, we'll talk about that in three months time, what we're going to do with that money, we'll show you what we've done with it, but I can guarantee you better than 20% return on that and sitting down the road there, it was getting less than half that.

Rahul Anand:

Perfect. Look, last one from me, Chris. You've spoken a bit about Onslow, obviously congratulations for the approvals to have them come through. You've talked about the capex that you are expecting to stay within budget. Perhaps another way to look at it, what are the critical items now that are currently in process that can potentially be risk factors? What are you looking at closely to make sure you are within that time and capex budget?

Chris Ellison:

So what are the risk factors? Look, all of the long lead items are in place and we've got them nailed down with time, and they're all getting built offshore for those proprietary products. We've got teams over there that are sitting watching them getting built. As we speak right now, we've got a heavy lift ship alongside the berth. All the piles and dolphins are driven. They're dropping the tops on the berth right now and come in late last night. The road from the port out to the Northwest highway was a bit tricky, but we've sort of mastered that. We've been working on that for some time and now we're onto the main hall road. It's about 130kms. That's probably our biggest risk of that road, but look, we've built hundreds of kilometres of hall road over the last five years, so no issue there.

CSI are putting all of the processing out on site, that's sort of a walk in the park. It's all the big next gen plants, all the mining gear's ordered. Because of the nature of ... it's not like building a hydroxide plant or the like, it's all around. The other thing too there is ... I mean, the dredging was about 20 million bucks. We'd done that months ago so months no risk there. There's very few construction companies left in Australia. I'm going to say we would have the best construction outfit in any way by miles. I mean, the guys that lead my construction, I've got Mick Salt, which is leading it out onsite and I got John Roth and Darren Killeen do a pretty amazing job and they've got a great team of people.

I mean, they get stuff done on time and they get it done under budget. I don't see any risk out there unless there's a sinkhole that opens up and swallows half the road or something, but highly confident. Our program tells us at the moment that it's going to be first ore on ship next August, and they've got a program they're running where they're pulling that back into June. But you go build 35 million tonne in the time we've got it approved and the ambitious date of next June getting it on, I mean, if I get it on then, big pat in the back for my team.

Rahul Anand:

Brilliant. That's excellent colour. Thank you very much. I'll pass it on.

Moderator:

Thank you. The next question today comes from Matthew Frydman from MST Financial. Matthew, please go ahead after the beep.

Matthew Frydman, MST Financial:

Sure, thanks. Morning, Chris and team, and thanks very much for your time on what's been a pretty extensive call. Look, I don't want to risk treading over covered ground on the downstream strategy, but maybe trying to think about things through a slightly different lens in terms of taking a multi-year view on the business and I guess the balance of the four pillars of the business. Obviously lithium, iron ore, mining services, energy. I guess the question is do you think about your capital allocation decisions in terms of that concentration or exposure to certain commodities or certain business units? Clearly pursuing a solo or a unilateral downstream strategy in whatever form you choose would require a significant further capital commitment to lithium specifically when maybe you'd actually prefer to create more earnings diversity in the business. Does that factor into your decision making and the timing around those decisions, or is it purely your view on the returns of those projects, the relative risk of those projects, and obviously the best returning projects in the business will get prioritised on that basis?

Chris Ellison:

Well, yes. Matthew, I call that the beauty lineup. We've got all the opportunities and look, as a matter of interest, the opportunity we've got sitting in front of us now is the best that we've ever had. I said that a couple of years ago, but it's so much better today. But we've got a very clear plan on where we're going on lithium. We're on a growth strategy with that. There's no doubt about that and that'll continue. We've got a lot of eyes on ... we're looking for better ground all the time, and we're sort of looking in Canada, we're looking right here at home. I mean, we're scouring all of that and securing more land. Big focus on lithium. Gas is coming at us, but again, the return on gas is going to be good. Iron ore, we're having a good hard look at where we're going on that and what our strategy's going to be.

But again, the lithium business, I mean, we've got to make sure that we focus on that. It's a 50 to 100 year business. I mean, we've got at least one great tier one asset and probably Mt Marion's going to fall into that category, so we're going to make sure we're setting that up for the long term, but we want to get the returns quickly. Our mining services happens naturally, but it just keeps growing. It grows at about 20% a

year, so last year, this year, next year, it's going to grow quicker than 20% a year. I mean, next year it's going to have a rocket under it. Yeah. Do I think about capital allocation? Every day. I mean, we're looking at it. I've got meetings every week that look at projects that we're developing or we've got in the beauty lineup, whether we have to trim back or that sort of things.

Matthew Frydman:

Thanks, Chris. I guess the question was more alluding to do you see a risk of concentrating on lithium as a business unit or as a commodity exposure specifically? Particularly if you need to allocate a significant amount of additional capital to that business over the coming two to three to five years to build out a downstream strategy? Does that run the risk of over allocating capital to lithium as a commodity?

Chris Ellison:

No. No. Look, we've got a plan and if all goes as we suspect it's going to go in the supply chain ... I mean, we've underestimated the demand over the last few years. I mean, I wish I had known it was going to grow as quick as it has and probably listening too much to consensus, but we're going to grow that lithium business and we know how we're going to fund it over three, four, and five years. We've got a solid plan on that. We know how we're going to do the same on the gas, the same on the mining services, and the iron ore, we know where we're at with that until the end of next year. Once we get the ... you need to remember too, if you have a look come end of calendar year next year, the cash that the business will be generating will be incredibly significant.

James Bruce, Mineral Resources:

Matt, if I could. It's James Bruce.

Matthew Frydman:

Yeah. Sorry, go ahead James.

Josh Thurlow:

If you went back five years ago, no one would've predicted the growth that we've had in our business. We had about 1500 people in the business back then, and today we've got 7,000 or more. In the next five years, Chris has said it a number of times, we're going to double each of our businesses and more. I don't think we are going to be ... we've got growth in all of our businesses. Yes, lithium looks particularly attractive, but each of our businesses has solid business plan and significant growth ahead of it and what it's going to constrain us is, quite frankly, the ability to execute on all of this.

Chris Ellison:

I think too, the other thing to add to that, I think you guys run a standard model on mining companies, and we are far from that standard. I mean, if you have a look at what we've done over the last five or six years, how we've been able to fund the growth and get to where we are, I do think you need to adjust your model a little bit if you want to figure out how we're going to keep growing the business. But I give you as much information as I'm able to, at least on a six monthly basis. Look, the reason that what Mark and I have come on the call this morning is that we wanted to just get it really, really clear, number one, we've got a plan and we manage our balance sheet. We're focused on return on capital, we're making sure that we look after the shareholders because that's who we're working for.

I mean, there was a lot of commentary coming into the market and we are kind of figuring out where it's coming from, but I hope this is helping to get everyone a little more focused on what we're doing.

Matthew Frydman:

Sure. Thanks, Chris. I mean, for what it's worth, my mineral resources model is already my most complex model, so I look forward to adding more complexity to that model over time. Just picking up on your comments around the cash flows in the business at the end of CY 24 I guess leads me into my next question around ... you've talked about how lithium sulphate in terms of a midstream product might be a potentially attractive starting point. You also alluded to the fact that you expect to continue tolling for at least another two or three years, which as you say, makes sense from a timing perspective in terms of the ramp up of Onslow and the cash flows coming out of the business.

Just wondering specifically around a midstream product or a lithium sulphate product. In your view, could you move forward with that kind of a strategy without having those downstream refining and battery chemical facilities in place in places like the US and Europe as you mentioned? Could you push ahead with a midstream strategy in isolation, and is there a market in your view for that product, for a sulphate product? Does that market exist and would it deliver attractive margins?

Chris Ellison:

Look, the answer is that they're starting to build up in Germany and Europe, but we could also take that product over to China and keep doing what we're doing while we're getting built out on that next stage. There are no gaps. I mean, we can do it. Yes, the answer is yes. I'll kind of keep it short. I think the other thing too is that I'm pleased that you've got a much more complex model for us than others because as Bill Wiley used to say some time ago, the harder you work, the luckier you get. So you keep making that more complex and keep working on us and you'll make a lot more.

Matthew Frydman:

Appreciate the answers. Thanks very much, Chris.

Chris Ellison:

No, pleasure. Thanks.

Moderator:

That is the last question we have time for today. That concludes today's call. Thank you for your time and have a great day. Please reach out if you have any follow up questions. You may now disconnect.

****END****