



FY18 Half Year Results Information pack

8 February 2018



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FINANCIAL GUIDANCE ASSUMPTIONS



FY18 financial guidance update



- EBITDA guidance of a minimum of \$500 million
- Key drivers include:
 - 130 mt of equivalent crushing capacity
 - 16.2 mt of exported product comprising:
 - 11.0 mt of iron ore, skewed to second half
 - 4.5 to 4.75 mt of lithium DSO
 - 0.45 mt of spodumene from Mt Marion (proportionally consolidated)
- Key pricing assumptions:
 - Average AUD / USD of 0.78
 - 62% CFR iron ore to average US\$65 per dmt
 - Lower grade iron ore to continue to attract high discounts
 - Second half 6% spodumene price of US\$900 per dmt
- Exclusions:
 - Monetisation of Mt Marion or Wodgina shareholdings
 - Revaluation of listed investments
- Capital expenditure of between \$300 m and \$350 m



FINANCIAL PERFORMANCE



PROFIT & LOSS



- Revenues of \$962m up 22% and reported EBITDA of \$352m up 25% on pcp.
- Reported EBITDA included one-off items totalling \$102.5m associated with:
 - Pilbara Minerals (PLS) investment gain on early adoption of AASB 9 (\$93m)
 - Empire Oil and Gas acquisition (\$9m)
 - Hazer Group investment gain on early adoption of AASB 9 (\$0.5m)
- Impairment charge of \$56.5m relates to:
 - Partial impairment of Yilgarn items (\$46.9m)
 - Goodwill of Mineral Resources Transport on acquisition (\$6.4m)
 - Impairment of Empire Oil and Gas investment (\$3.2m)
- Effective tax rate of 30% for the half year
- NPAT at \$163.0m up 16.4% on pcp

(\$ million)	H1 FY17	H1 FY18
Revenue	732.7	854.5
Other income	51.7	105.6
Operating Costs	(502.9)	(607.9)
EBITDA	281.6	352.2
<i>EBITDA margin (%)</i>	<i>36.0%</i>	<i>36.7%</i>
EBITDA (Underlying)	231.6	250.0
<i>EBITDA (Underlying) margin (%)</i>	<i>29.6.0%</i>	<i>25.9%</i>
Depreciation and amortisation	(78.2)	(59.1)
EBIT	203.4	236.5
<i>EBIT margin</i>	<i>26.0%</i>	<i>24.6%</i>
Net finance costs	(4.6)	(3.2)
Impairment charges	0.4	(56.5)
Profit before tax	199.2	233.3
Tax	(58.9)	(70.0)
Net profit after tax	140.3	163.3
<i>NPAT margin (%)</i>	<i>17.9%</i>	<i>17.0%</i>

CASH FLOW

- Net cash from operations increased to \$221.5m in period, an increase of 69% on pcp
- \$37.7m working capital outflow as a result of:
 - Inventory build at Mount Marion and Wodgina mining operations
 - Trade debtor at Mount Marion and Wodgina mining operations and at new crushing contracts
- Growth capex of \$55.3m in H1 FY2018 included:
 - Completion of Mt Marion production facility
 - Wodgina infrastructure, drilling program and associated works
 - Additional crushing capacity
- Maintenance capex of \$10.8m continues to run well below depreciation
- Additional tax payments in the half resulted from the ATO's monthly installment system
- Increased dividend payments reflect the increase profit period on period



(\$ million)	H1 FY17	H1 FY18
EBITDA	281.6	352.2
PLS shares	(50.0)	(93.0)
Movement in working capital (ex. Construction)	(100.6)	(37.7)
Movement in working capital – Construction	-	-
Net cash flow from operating activities before financing activities and tax	131.0	221.5
Maintenance capital expenditure	(14.2)	(10.8)
Growth capital expenditure	(124.2)	(55.3)
Net free cash flow (before financing and tax)	(7.5)	155.4
Tax paid	(19.7)	(81.7)
Net interest paid	(2.7)	(3.0)
Dividends paid	(36.9)	(58.7)
Net charge in borrowings ¹	47.4	(68.3)
Sale of property, plant and equipment, and other	(1.1)	-
Net increase in cash and cash equivalents	(20.5)	(56.3)

BALANCE SHEET

- Cash balance of \$319.4m plus substantial syndicated debt facilities available for funding growth projects
- The net cash position of \$94m is an improvement on the prior corresponding period of 10%
- Plant and equipment on balance sheet excludes a significant amount of immediately accessible new and second hand equipment, spare parts and consumables that can be used to reduce the cost of building and maintaining build own operate projects

(\$ million)	31 Dec 16	31 Dec 17
Current assets		
Cash and cash equivalents	388.7	319.4
Trade and other receivables	176.4	149.7
Inventories	90.1	109.4
Other current assets	13.6	10.0
Total current assets	668.7	588.4
Non-current assets		
Plant and equipment	725.4	756.9
Deferred tax assets	42.2	42.9
Intangibles and mine development	369.7	387.4
Other non current assets	85.3	146.6
Total non-current assets	1,222.6	1,333.8
Total assets	1,891.4	1,922.3
Current liabilities		
Trade and other payables	151.2	172.2
Current tax liability	33.4	-
Borrowings	237.6	65.7
Other current liabilities	78.0	61.8
Total current liabilities	500.1	299.7
Non-current liabilities		
Borrowings	64.7	159.9
Provisions	74.0	66.2
Deferred tax liability	136.1	159.7
Total non-current liabilities	274.8	385.8
Total liabilities	774.9	685.5
NET ASSETS	1,116.4	1,236.8
Equity		
Issued capital	504.7	505.5
Retained profits	588.9	713.3
Other	22.8	18.0
TOTAL EQUITY	1,116.4	1,236.8





STRATEGIC INVESTMENTS



STRATEGIC INVESTMENTS

MRL has made a number of strategic investments which it believes will assist in driving long term growth and innovation

	Lithium	Gas	Carbon Fibre	Graphite
Company name	Pilbara Minerals	Empire Oil & Gas	MIS.Carbonart	Hazer Group
Reason for investment	Issued in return for offtake/royalty being permanently relinquished	Secure gas supply for gas power plants	To assist in driving significant cost savings on current projects through the use of carbon fibre trays and a potential new revenue stream	Commercialising an innovative synthetic graphite plant
Percentage ownership	8.36%	19.36%	60%	15.58% with option to purchase an additional 7.03%
Value (based on current share prices¹)	\$140.8m		Not a listed company	\$5.5m

¹ Market price at close on 31 December 2017



COMMODITIES



PROFIT SHARE PROJECTS



Key statistics for Mining Operations (with profit share) (by commodity)				
	Iron Ore		Lithium	
Project name	Iron Valley	Yilgarn	Wodgina	Mt Marion
% of product profit	100%	100%	100%	43.1%
Annual production	8Mt	4-5Mt	4Mt (DSO)	450Kt (4%-6% Li2O)
Annual potential production	16Mt tonnes with a mine/port supply chain upgrade	5-6Mt	750Kt (6% Li2O) 4-5Mt (DSO)	450Kt (6% Li2O)
Project Life	>10 yrs		>30 yrs	>30 yrs

COMMODITIES – IRON ORE



Iron Ore Operations		H1 FY16	H2 FY16	FY2016	H1 FY17	H2 FY17	FY2017	H1 FY18
Platts 62% Fe (adj. for moisture)	A\$/WMT	66.9	67.0	66.8	81.0	92.2	87.0	83.9
Tonnes exported	million WMT	5.9	6.2	12.1	6.7	5.6	12.3	4.8
Revenue	A\$/WMT	64.5	64.6	64.5	79.3	70.0	75.1	72.6
Realised price (% of Platts 62% Fe)	%	96%	96%	97%	98%	76%	86%	88%
C1 costs	A\$/WMT	40.7	40.7	40.7	39.4	40.5	39.8	43.6
Total expenses	A\$/WMT	57.2	54.6	55.9	55.9	58.5	57.1	63.8
EBITDA	A\$/WMT	7.3	9.9	8.6	23.4	11.5	18.0	8.8

COMMODITIES – LITHIUM MT MARION





Mt Marion Project		H2 FY17	H1 FY18
6% Tonnes exported	000 WMT	50.0	109.0
4% Tonnes exported	000 WMT	66.0	93.0
Total Tonnes exported (100%)	000 WMT	116.0	202.0
Revenue	A\$/WMT	782.9	808.9
C1 costs	A\$/WMT	570.9	474.9
Total expenses	A\$/WMT	658.0	548.4
EBITDA	A\$/WMT	124.9	260.5
MRL Share (43.1%)	A\$/WMT	53.8	112.3

Note: Costs include arms length mining infrastructure service agreements with MRL

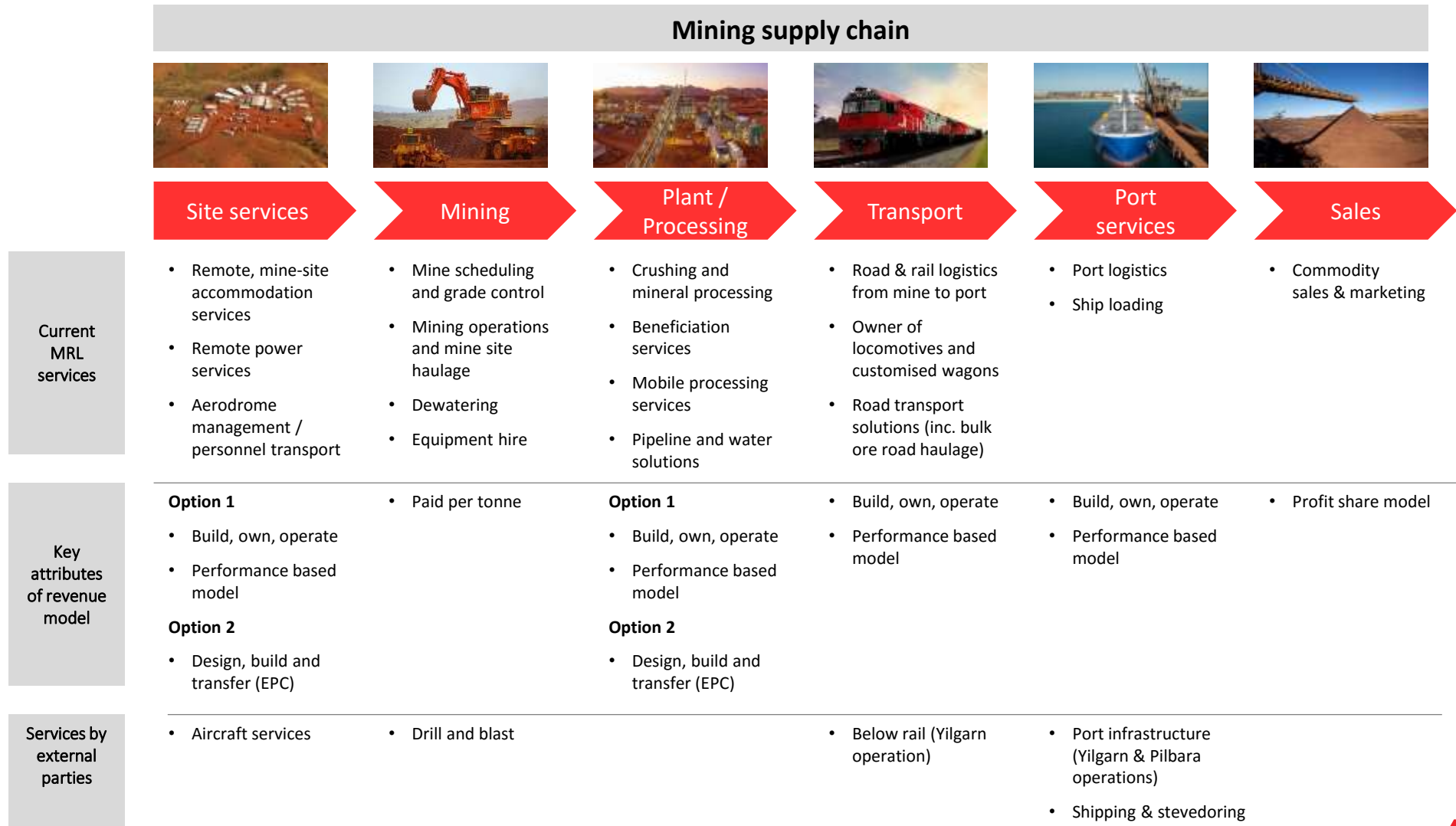
MRL BUSINESS MODEL



THE MRL BUSINESS

Innovative mining services provider	<p>Mineral Resources (MRL) is a leading and highly innovative full-service provider of mining infrastructure services in Australia</p>
Unique value proposition	<p>MRL provides innovative and low cost Pit to Port solutions across the mining infrastructure supply chain including mining, crushing, processing, materials handling and full support logistics in an efficient manner to add significant value for clients</p>
Focus on increasing annuity earnings	<p>Mining Services earnings are supported by long term contracts. Operations across 13 sites including mineral crushing, screening & processing; contract mining & haulage; rail locomotives & wagons; camp accommodation; road transport and port handling</p>
Track record of generating high returns on capital	<p>MRL is uniquely positioned to generate high returns on capital from profit share partnerships. Current iron ore projects at Iron Valley and Carina; lithium projects at Mt Marion and Wodgina</p>
Experienced management team & board	<p>Stable senior leadership team with a proven track record of safely delivering world class mineral processing and infrastructure solutions and creating shareholder value. Board and management own approx. 14% of Company</p>
Selection of customers	
MRL operating brands	

MRL BUSINESS MODEL



UNIQUE VALUE PROPOSITION



“Partner with selected clients to deliver innovative high quality and cost efficient mineral processing and mining infrastructure Pit to Port solutions”

Global leader in design and technology development



- Proven track record of innovative designs for crushing, screening, mineral processing and mining infrastructure solutions
- Significant annual investment in technology research and development

Speed to market



- Significant database of proven designs and engineering utilising in-house capability developed over the last 25 years
- Substantial inventory of new and used mineral processing equipment, accumulated over the last 20 years to expedite project execution

Reduced capital intensity



- MRL’s core business of ‘Build-Own-Operate’ solutions reduce the need for the clients to use their own capital
- Proven construction methodologies and in-house engineering and labour allow for plant construction at a significantly reduced capital intensity

Lower cost of production



- Innovative, high quality designs lead to significant operating efficiencies with specific focus on crushing, screening and processing activities. This provides clients the opportunity to achieve lower costs of production

Largest inventory of parts and consumables



- Largest inventory of mineral processing equipment in the Southern Hemisphere providing a significant cost and speed to market advantage (including quick response repair capability)

Culture of innovation



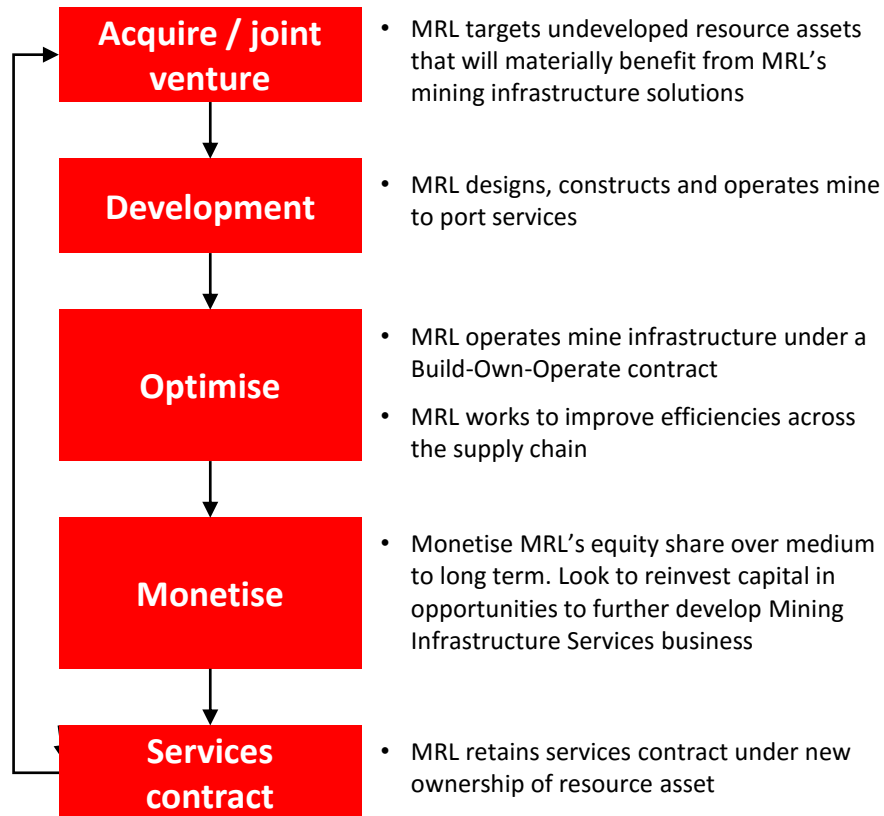
- Experienced, high quality people with a focus on innovation and challenging market norms to provide substantial value add to client operations

PROFIT SHARE MODEL



MRL is uniquely positioned to benefit from profit share partnerships

MRL'S PROFIT SHARE MODEL – STAGES IN THE CYCLE



BENEFITS OF PROFIT SHARE MODEL

1. Attractive financial returns over the cycle

- MRL has a track record of delivering high returns on capital employed

2. Enhanced benefits of innovation

- Profit share projects are MRL's "breeding ground" for new solutions (e.g. site services, remote power, super quads, carbon fibre products, rail capability, BOTS)
- Projects benefit from MRL's innovative solutions as reduced operating costs are value accretive

3. New annuity-style earnings

- MRL Mining Infrastructure Services are integral to the ongoing operation of projects and are retained post monetisation of MRL equity stake

HISTORICAL PERFORMANCE

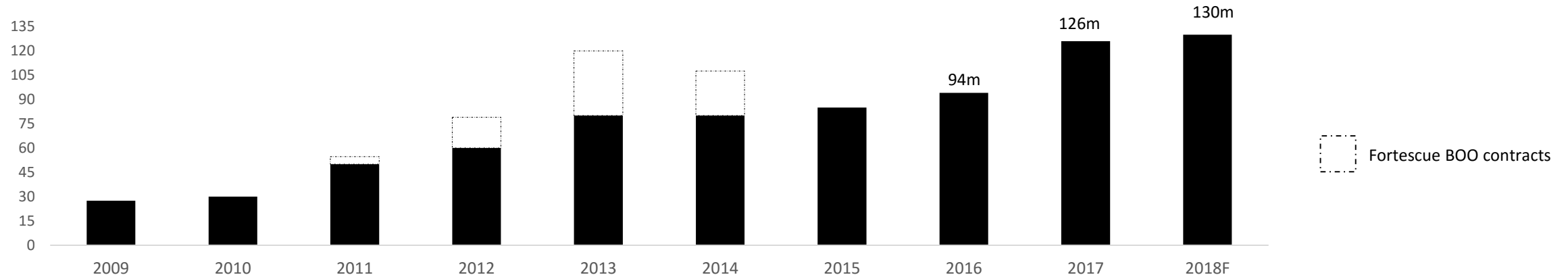


Operational excellence driving sustained growth



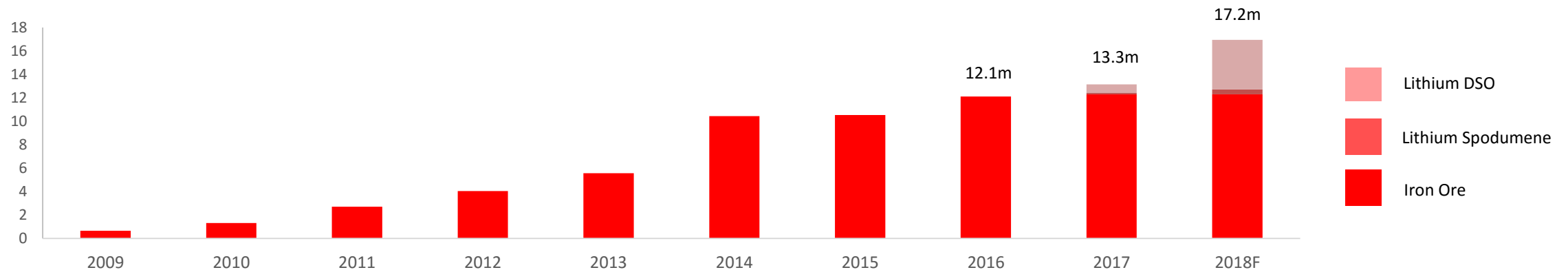
Equivalent installed crushing capacity

(million tonnes per annum)



Commodity exports

(million tonnes per annum)



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