



## **MEDIA RELEASE**

**Thursday, 19 February 2015**

**ASX: MIN**

### **MINERAL RESOURCES ACHIEVES A FIRST-HALF EBITDA OF \$132 MILLION**

Mineral Resources Limited (MRL) has achieved 2015 half-year EBITDA of \$132 million leading to an underlying net profit of \$51 million<sup>1</sup>, in line with consensus estimates. This result was underpinned by a continuing solid contribution from our Mining Services segment, together with lower mining costs and record iron ore exports, which helped to only partially offset the impact of substantially lower USD iron ore prices.

The Directors are confident that the business will have solid growth across both segments moving forward and have resolved to continue the policy of distributing 50% of after tax earnings to shareholders as dividends. A fully franked interim dividend of 7.5 cents per share has been declared for shareholders at 20<sup>th</sup> March 2015.

#### **Key Financial Metrics for 1H 2015**

- Half-year operating revenue of \$752 million, reflecting a steady level of contracting and construction activities, lower USD iron ore prices and record iron ore exports of 5.5 million tonnes.
- Half-year EBITDA of \$132 million, achieved through stronger earnings from contracting and construction activities, improved iron ore quality and negotiated selling prices close to the Platts 62% index and a 17% decrease in mining cash costs from targeted cost reductions and productivity enhancements. Mining operations contributed a cash surplus during the half and continue to be cash positive and profitable in February 2015.
- Statutory half-year net profit after tax included two significant one-off (non-cash) items. These include a tax expense on the reversal of MRRT deferred tax assets of \$65 million following the repeal of the MRRT Act and a \$16 million (after tax) impairment of the carrying value of manganese and iron ore stock from operations closed to facilitate our targeted one mine Pilbara policy.
- The Company's balance sheet continues to be strongly cash positive at 31 December 2014 with a net cash balance positive position of \$98 million. This result was achieved after the reversal of working capital benefits associated with construction and long-term iron ore contracts generated in the previous half, whilst continuing to fund the

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<sup>1</sup> MRL's financial reporting complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS). The underlying (non-IFRS) profit is unaudited but is derived from the auditor reviewed accounts by removing the impact of non-recurring items from the reported (IFRS) auditor reviewed profit. MRL considers that the non-IFRS profit reflects a more meaningful measure of the Company's underlying performance.

Company's CAPEX and R&D programs. MRL also has access to over \$400 million in undrawn debt facilities to facilitate business development.

Mineral Resources Managing Director Chris Ellison said the underlying financial results reflected a sustainable contribution from the Company's core Mining Services business, plus a significant reduction in mining costs together with a strong iron ore export performance, which helped to partially offset the significant impact of lower USD iron ore prices. The costs to date are seriously impacted by high port storage and ship loading charges and MRL is in discussions with the State Government and Port Authorities to secure a reduction in these charges.

"The Company's underlying strength remains as a mining services provider for our external clients, as well as for our internal works, and reflects the substantive value add for our clients by utilising our proven services capability to assist them in reducing costs and limiting their capital spend. The provision of cost effective operations and highly efficient equipment and infrastructure, as evidenced by the outstanding performance on the EPC contract for the Nammuldi Below Water Table Project, is the fundamental strength of the Company's past and future".

Mr Ellison said the Company is well advanced in its development of a range of exciting new mining services initiatives, which have the potential to significantly improve the performance of mining, processing, haulage and transport operations for both Mineral Resources and its customer base. These initiatives will give us full control over our supply chain from mine to ship, and significantly improve our ability to reduce the cost of ore delivered into the overseas markets.

#### **Key Business Achievements/Outcomes for 1H 2015**

- MRL's group safety performance continued to improve with a Total Recordable Injury Frequency Rate (TRIFR) of 4.8 recordable injuries per million hours worked on a rolling twelve month basis, as at the end of December 2014. This represents an improvement of 66% compared with the previous year.
- The Mining Services segment continued to perform strongly throughout the period, achieving a 22% improvement in underlying EBITDA. Highlights include:
  - The completion of the construction phase of the Nammuldi Below Water Table process plant, which was delivered on schedule. Commissioning and handover of the plant is now under way and the plant is performing to the contracted performance criteria. This contract was undertaken on a fixed price EPC basis and, with the clients' assistance, has been completed within the original budget and program.

- Additional crushing capacity being installed by CSI to meet customers' new and expanded processing requirements.
- The enhancement of the PIHA business with a range of new and improved products and systems for the oil and gas, construction and mine infrastructure sectors.
- The contribution from PMI Site Services being boosted by a record level of installed rooms and a high level of utilisation.
- The Mining segment achieved record half-year iron ore shipments of 5.5 million tonnes. Highlights include:
  - Mining operations continue to produce cash positive margins.
  - Iron Valley Iron Ore Project was developed to the timetable and budget as planned. Both mining and haulage of product achieved steady-state operations and the crushing plant achieved name plate capacity during the period under review.
  - Mining operations in the Pilbara region have been significantly simplified with the development of one large mine at Iron Valley and the finalisation of the planned closure of mining and haulage operations at Phil's Creek and Spinifex Ridge. These sites will be retained for future operations within the regional development strategy.
  - The J4 mine (adjacent to the Carina mine in the Yilgarn region) was approved by the Minister for the Environment, which will enable the Company to leverage the Carina infrastructure and extend the life of the project
- Good progress was made on planning and design work for a range of new Mining Services initiatives (including mining equipment improvements, ore beneficiation design work, and transshipping and innovative bulk ore transport options).

Subsequent to the end of 1H 2015, the EPA published a recommendation on the J5 and Bungalbin East projects, which is now the subject of an appeal and further interaction with the EPA, Minister for the Environment and the Western Australian Government. The tenements concerned are located in an area reserved for both mining and conservation and the Company is confident that its track record of high quality mining practices and proven environmental and site rehabilitation expertise can successfully satisfy all environmental requirements in hand with our project development.

## **Contacts**

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