19 November 2015

Chairman's Address

2015 Annual General Meeting

OVERVIEW OF 2015

Looking back, 2015 was without a doubt, a very challenging year for the resources sector, particularly in terms of falling commodity prices, currency volatility and the significant impacts these two factors had on our customers, competitors and the Australian economy in general.

The single most significant factor impacting MRL was the significant decline in iron ore prices that occurred in response to a slowdown in China's economic growth and the resultant lower demand for steel products. In terms of the Company's iron ore business, the realised iron ore price was A$74 per wet metric tonne on a CIF basis in FY 2015, a reduction of 34% compared with the realised price of A$111 per tonne we achieved in FY 2014. Put another way, revenue generated by MRL from iron ore sales in FY 2015 was A$369 million lower compared with FY 2014.

In response to these external challenges, I am pleased to report that the Company successfully achieved significant operational cost reductions and productivity improvements across both the mining services and bulk commodity businesses during 2015. These achievements assisted our clients increase their mineral processing outputs and also helped to offset some of the impact of the significantly lower prices experienced by our iron ore business. Importantly, they helped to ensure that we were able to achieve a profit across all of our business activities (albeit lower than compared with previous years).

One particular highlight in 2015 was the completion of the Nammuldi Below Water Table process plant for Rio Tinto. This 25Mtpa wet front end processing plant was safely delivered for Rio under a fixed price EPC contract on time and within MRL's original budget. Apart from meeting our client's needs, the Company's outstanding performance on this project also enabled us to secure additional design and construction expansion works as part of Rio Tinto's Nammuldi Incremental Tonnes Phase 2 project that MRL is currently executing and is due to complete in Q2/2016.

In parallel, the Company continued to develop a range of innovative mining services initiatives in materials handling and transport, which are designed to further reduce costs and improve efficiencies for both our client's operations and Mineral Resources' own operations. The Managing Director will say more about these activities in his address.

However, I would like to remind shareholders that since its inception, the Company has been at the forefront of innovation in materials handling and processing industry. The continued focus on research and development and the subsequent delivery of innovative solutions for clients (which are often tested in Mineral Resource's own operations prior to commercialisation) has helped grow the Company's core business and generated significant future shareholder value. We expect to continue this approach well into the foreseeable future.

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CAPITAL MANAGEMENT

The Company maintained its disciplined approach to capital management during 2015, while continuing to meet ongoing investment requirements for capital equipment and research and development. As a result, the balance sheet remained in a very strong position at the end of FY 2015 with net cash of $118 million and substantial undrawn debt facilities available. This has since improved to a net cash position of $160 million, with no change to the undrawn debt facilities.

A strong balance sheet leaves the Company well positioned to pursue new development options in FY 2016, while still having due regard for general economic and commodity market conditions.

This outcome is entirely consistent with the Company's approach to capital allocation, as explained in detail in the 2015 Annual Report. One of the key principles behind the Company's approach to capital allocation is to maintain a strong and conservative balance sheet that provides the flexibility to facilitate growth whilst protecting the business from the financial risks inherent in cyclic business segments such as bulk commodities.

As part of the Board's ongoing considerations in this area, we also considered both the economic conditions and the Company's short term capital expenditure and development requirements, in determining the level of dividends for FY 2015. The decision to distribute a full-year fully franked dividend of 22.5 cents per ordinary share to shareholders, represents approximately 50% of after-tax earnings (after impairment charges) and is in line with the policy established when the Company first listed in 2006.

The present weakness of the share price has also caused us to consider the impact on shareholder value and we believe that there is a case for Mineral Resources to purchase some of its own shares at this point in the cycle. We are also mindful of the desire of Australian retail shareholders to continue our dividend policy providing a franked dividend stream. To this end, the Board has resolved to allocate $40 million to a capital management initiative consisting of a $30 million on-market share buyback plan to become effective from 7 December 2015 combined with an interim fully franked dividend package of $10 million for the first half.

CORPORATE GOVERNANCE

With respect to governance matters, we are making some significant changes to the composition of the Board following on from the resignation of Mark Dutton in November 2014. In May 2015, we appointed James McClements as an independent non-executive director. I am also pleased to announce that we have also appointed James as the lead independent Non-Executive Director effective from today.

James is the Managing Partner of Resource Capital Fund (RCF) and has over 30 years of resources sector banking experience in both Australia and internationally, along with considerable Board experience, having served as a Director of 12 of RCF's portfolio companies. He also brings with him an extensive range of contacts within the resources and financial sectors.

With the appointment of James, the Company continues to maintain a small but highly effective Board with a combined skill set which is well suited for the performance requirements and business culture of Mineral Resources. Importantly, all of the existing Board members are committed to representing shareholders to the best of their ability.

Whilst the independence of the Board is actively managed with the majority of Non-Executive Directors now considered to be independent by most measures, there is scope to appoint an additional independent Non-Executive Director and we will continue our search for a director with the appropriate experience and skills that will assist the board drive shareholder value.

REMUNERATION

With respect to Remuneration practices, the Company's approach has always been conservative one and has focused on being able to attract and retain employees by positioning its self around the 50th percentile for salary benchmarking purposes.

However in FY 2015, the Board in recognition of the ongoing challenges being faced by the resources sector and the need to further reduce operational costs, took the following actions:

- salaries and wages have been frozen at FY 2015 levels; and
- STIs and LTIs for FY 2015 were suspended and no payments made.

To further demonstrate the Company's commitment to reducing costs, the Managing Director and senior executives accepted a reduction in fixed remuneration in FY 2016, ranging from 10% to 20%. This follows the earlier example set by the Managing Director who has personally taken a 20% reduction in his base salary and also refunded his Short Term Incentive from FY 2014 and declined to participate in 2015 Long Term Incentive, prior to the Board's decision to suspend all LTIs in FY 2015.

Notwithstanding these changes to remuneration outcomes, the Board is aware that some shareholders have expressed concern about certain aspects of the Company's approach to key management personnel remuneration and associated disclosures.

In response to these concerns, the Board has recently appointed James McClements (lead independent Director) as the Chairman of the Remuneration Committee and will shortly commission an independent review of both the Company's key management personnel remuneration system and the disclosure processes. I look forward to sharing the findings of this review with shareholders in due course.

GENERAL ECONOMIC OUTLOOK

Turning to the outlook in FY 2016, commodity prices are generally expected to remain “soft” for some time as global commodity demand and supply goes through a fundamental rebalancing phase, post the slow-down in Chinese economic growth. The outlook for iron ore is one of continued price volatility as significant new iron ore supply from both Australia and Brazil, enters the market over the 6 to 12 months.

Whilst this stage of the resources cycle is very challenging, it also presents opportunities for a company like Mineral Resources. Clearly, resources companies will continue to focus on operational cost reductions and productivity enhancements in order to remain profitable in a period of low commodity prices.

The Company and its employees have responded well to the new economic environment and continue to focus on reducing operating costs and enhancing productivity across all operating sites. The ongoing delivery of innovative and cost-effective solutions to external customers has been and continues to be a major point of differentiation between Mineral Resources and other mining services companies. It is particularly pleasing to see that even in these challenging times, we continue to maintain strong relationships with our key customer base, as evidenced by a number of contract extensions and new work.

Mineral Resources is in the fortunate position of having a committed and highly skilled workforce, strong relationships with key customers, a strong technical and financial base and a range of products and services which are well suited to meet the requirements of an increasingly cost conscious customer base.

As a consequence, we are confident in meeting the challenges and seizing opportunities as they arise during the course of FY 2016 and beyond.

Finally, I would like to compliment Chris Ellison on his management of the Company and the skill and dedication he and his team display in the conduct of the business. Chris is the right person to manage this business through this tough economic cycle and to develop and execute on a development strategy to set the Company up for the next 10 to 20 years.

Peter Wade
Chairman