MINERAL RESOURCES

# FY2017 RESULTS INFORMATION PACK

# AGENDA

# THE MRL BUSINESS

| | |
|---|---|
| **Innovative mining services provider** | Mineral Resources (MRL) is a leading and highly innovative full-service provider of mining infrastructure services in Australia |
| **Unique value proposition** | 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 |
| **Focus on increasing annuity earnings** | Mining Services earnings are supported by long term contracts. Operations across 26 sites including mineral crushing, screening & processing; contract mining & haulage; rail locomotives & wagons; camp accommodation; road transport and port handling |
| **Track record of generating high returns on capital** | 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; and manganese sites on standby |
| **Experienced management team & board** | 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 |
| **Selection of customers** | RioTinto, Newmont, bhpbilliton, Newcrest, Roy Hill, GanfengLithium, Barrick |
| **MRL operating brands** | Mineral Resources, CSI, PMI Process Minerals International, PIHA |

# FY2017 HIGHLIGHTS

**Financial Highlights**

- Revenue of $1.46 billion, up 24% on the prior corresponding period ('pcp')
- EBITDA of $463.6m, up 62% on normalised pcp and in line with revised guidance
- Net Profit After Tax of $201.0m, up 83% on normalised pcp
- Net Cash position of $103.5m, after working capital investment in business growth and CAPEX to establish new lithium assets
- Fully Franked Final Dividend of 33 cents per share, representing a payout ratio of 50%. Dividends declared for FY17 up 83% on pcp

**Mining Infrastructure Services**

- Mining Infrastructure Services continues to perform strongly with equivalent crushing capacity growth of 34%. The full year benefit of this growth will be seen in FY18 as new contract work commenced late in the period
- Transactional work (EPC) from external clients were completed and profit recognised
- Mt Marion Build-Own-Operate (BOO) life-of-mine (LOM) contract commenced and ramped-up. The full year benefit of this services contract will be seen in FY18

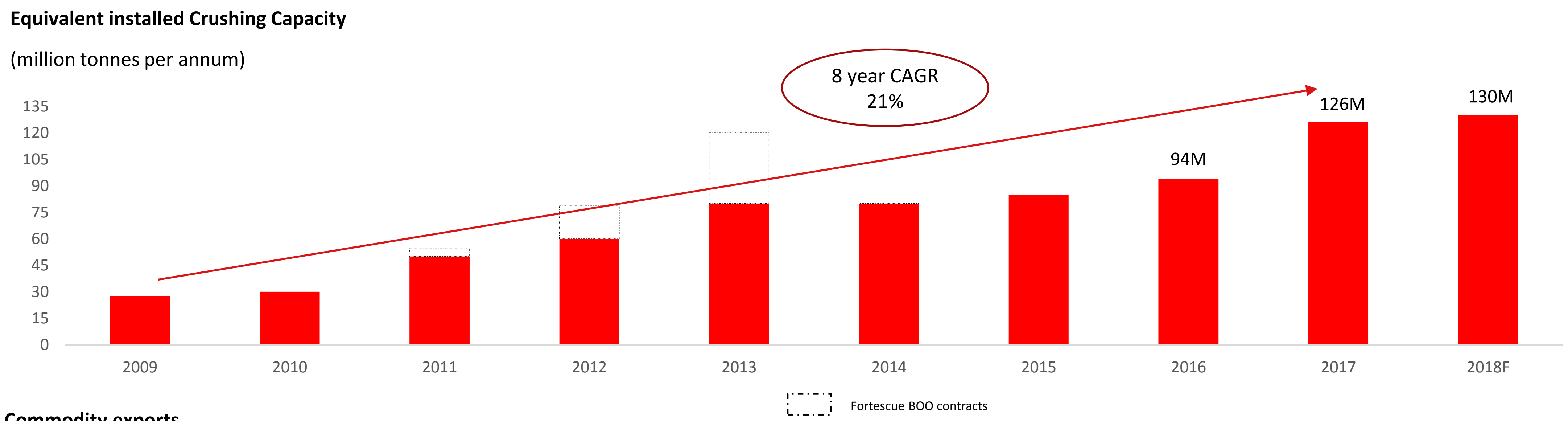
**Commodities Business**

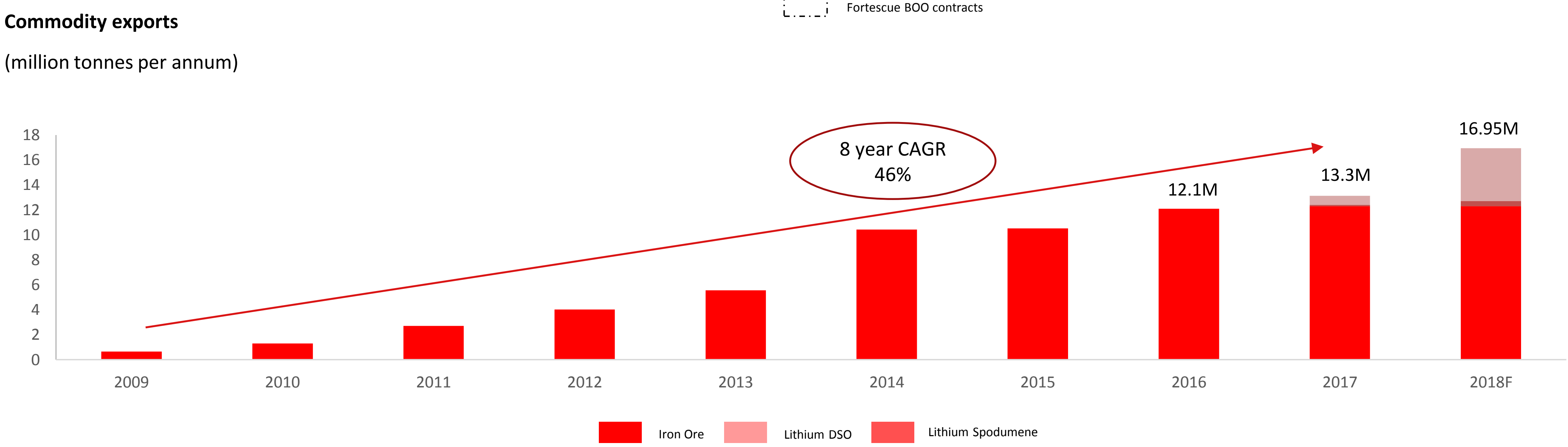
- Iron ore business increased EBITDA from A$8.6 to A$18.0 per tonne driven by movements in iron ore prices; lower second half pricing impacted market guidance figure
- Iron ore export volumes were stable at 12.3Mt
- Mt Marion operation ramped up to full capacity during the year. 116Kt of spodumene were sold during FY17
- Mt Marion producing at an annualised rate in excess of 400Kt of 4% and 6% spodumene product
- Wodgina lithium project commenced operations with the sale of 0.7Mt of direct shipping ore (DSO) in the 4th quarter of FY17

**Profit Guidance**

- FY18 EBITDA guidance of a minimum of $500m with the result skewed to the second half (assuming: 62% CFR iron ore price of US$65 per dry tonne; iron ore product discounting remains abnormally high; 6% spodumene price of US$841 per dry tonne; and AU$/US$ of 0.78)
- 130Mtpa of equivalent crushing capacity
- 12.3Mt of iron ore exported, skewed to second half, with approval granted to mine Bungalbin East tenements
- 4.25Mt of lithium DSO
- 400Kt of spodumene exported from Mt Marion (MRL share 43.1%)
- Capital expenditure of $200m to $250m (assuming no further project wins)

# TRACK RECORD OF GROWTH




# MINING SERVICES

CURRENTLY OPERATING ACROSS 26 SITES AND 4 DIFFERENT COMMODITY TYPES

# MINING INFRASTRUCTURE SERVICES

MINERAL RESOURCES

## ANNUITY STYLE EARNINGS

- Increased equivalent crushing capacity by 34% pcp to 126Mt (94Mt in 2016)
- Strong customer retention for crushing and processing business driven by safety delivery and production performance
- Significant new crushing business secured will make full year contributions in FY18
- Average weighted contract term for existing crushing, screening and processing contracts extended to 6-7 years by award of life of mine contracts
- Mt Marion and Wodgina DSO mine to port services to make a full year contribution in FY18

## TRANSACTIONAL EARNINGS

- All EPC construction contracts completed and final profit recognised with no liabilities or warranties outstanding
- Growth strategy to move from EPC model to equity share and life-of-mine (LOM) Build-Own-Operate (BOO) service model to optimise annuity style work operations and gain capital growth of equity investment
- Identify mineral projects with strong forward looking value, negotiate material equity stake and LOM BOO mining services contract with accelerated start up and first mover benefits
- Asset divestment to provide capital gain and substantial cash flow for future bulk commodity operations and corporate expansion/M&A

# 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) | 400Kt (4%-6% Li20) |
| **Annual potential production** | 16Mt tonnes with a mine/port supply chain upgrade | 5-6Mt | 500Kt (6% Li20)<br>4-5Mt (DSO) | 400Kt (6% Li20) |
| **Project Life** | >10 yrs | 15 yrs<br>Subject to consent | >30 yrs | >30 yrs |

# COMMODITIES – IRON ORE

- Iron Ore export volumes were stable at 12.3Mt
- Average achieved revenue increased per tonne to A$75.1/wmt. The impact of market discounting has significantly reduced the profitability in second half
- C1 cash costs reduced by 2% pcp to A$39.8/wmt in FY17 from continued improvement in mining practices and efficiencies. Total expenses increased by 2% to A$57.1/wmt in FY17 which was driven by higher shipping costs and royalties
- Mining applications in the Yilgarn for Bungalbin East/Jackson 5 to be determined by WA government; projected decision timetable 2- 5 months
- Future iron ore volumes to be driven by iron ore price and market discount

| Iron ore operations | | 1H FY15 | 2H FY15 | FY2015 | 1H FY16 | 2H FY16 | FY2016 | 1H FY17 | 2H FY17 | FY2017 |
|---|---|---|---|---|---|---|---|---|---|---|
| Platts 62% Fe (adj. for moisture) | A$/WMT | 87.6 | 74.0 | **81.7** | 66.9 | 67.0 | **66.8** | 81.0 | 92.2 | **87.0** |
| Tonnes exported | million WMT | 5.5 | 4.8 | **10.3** | 5.9 | 6.2 | **12.1** | 6.7 | 5.6 | **12.3** |
| Revenue | A$/WMT | 76.5 | 70.4 | **73.6** | 64.5 | 64.6 | **64.5** | 79.3 | 70.0 | **75.1** |
| Realised price (% of Platts 62% Fe) | % | 87% | 95% | **90%** | 96% | 96% | **97%** | 98% | 76% | **86%** |
| C1 costs | A$/WMT | 52.8 | 47.5 | **50.3** | 40.7 | 40.7 | **40.7** | 39.4 | 40.5 | **39.8** |
| Total expenses | A$/WMT | 72.9 | 63.1 | **68.3** | 57.2 | 54.6 | **55.9** | 55.9 | 58.5 | **57.1** |
| EBITDA | A$/WMT | 3.6 | 7.3 | **5.3** | 7.3 | 9.9 | **8.6** | 23.4 | 11.5 | **18.0** |

# COMMODITIES – LITHIUM MT MARION

MINERAL RESOURCES

- First lithium shipment from Mt Marion was exported in early February. The plant has now been ramped up to full scale operations during FY17 with 116Kt exported
- Currently producing above 400Ktpa of 6% and 4% annualised product
- Full production of 400Ktpa of 6% product by end of FY18 once additional processing circuit is installed
- Increased JORC resources at Mt Marion increasing mine life to >30 years (78Mt at 1.37% Li) with substantial out-cropping targets available for future drilling

| Mt Marion Project | | 2H FY17 (Actual) | 1H FY18 (Forecast) |
|---|---|---|---|
| 6% Tonnes exported | 000 WMT | **50** | **100** |
| 4% Tonnes exported | 000 WMT | **66** | **100** |
| Total Tonnes exported (100%) | 000 WMT | **116** | **200** |
| Revenue | A$/WMT | **782.9** | **823** |
| C1 costs | A$/WMT | **570.9** | **369** |
| Total expenses | A$/WMT | **658.0** | **460** |
| EBITDA | A$/WMT | **124.9** | **363** |
| MRL Share (43.1%) | A$/WMT | **53.8** | **156** |

Notes:

- Costs include arms length mining infrastructure service agreements with MRL
- RIM went into commercial production on 1 March 2017. The production costs net of sales receipts of 37Kt of spodumene produced pre 1 March 2017 were capitalised in line with accounting standards. Accordingly, unit revenues and costs set out above for 2H FY17 are derived on 79Kt of spodumene produced post commercial production

# COMMODITIES – LITHIUM WODGINA

- Atlas Iron crushing operations ceased in April 2017 to facilitate ramp up of MRL lithium operation
- Commenced DSO lithium operation with 0.7Mt exported during 4th quarter FY17
- Resource upgraded to 175.7Mt at 1.20% Li20 with cut off of 0.5% Li20, plus 22.3Mt included within Tailings material at 0.96% Li20 with a cut off of 0.0% Li20 (see ASX announcement dated 31 July 2017)
- The world's largest known hard rock lithium resource and greater than 30 year mine life. Exploration drilling is ongoing
- Decision to build a 500Kt, 6% spodumene operation being reviewed by Board. Construction anticipated to commence Q4 2017 with first operations due in July 2018
- DSO operations are expected to continue in conjunction with spodumene production


# FINANCIAL PERFORMANCE

REVENUES OF $1.46BN UP 24% AND
EBITDA OF $464M UP 62% ON PCP

# PROFIT & LOSS

- Revenues of $1.46bn up 24% and EBITDA of $463.6m up 62% on normalised pcp.  The significant growth was driven by:
  - 18% increase in iron ore revenue due to a higher iron ore price
  - Significant increase in iron ore price discounts
  - Sale of 0.7Mt of lithium DSO and 116Kt of spodumene
  - Increased crushing and processing production with equivalent crushing capacity up 34%
  - Conversion of Pilbara Minerals (PLS) offtake / royalty rights to 104 million PLS shares
- Depreciation of $160.2m was up 20% on pcp due to higher mining production (all products) and the larger mining fleet implemented in iron ore operations to improve mining efficiency
- Impairment charge of $6.9m relates to the decline in the share prices of strategic investments excluding PLS shares
- Effective tax rate of 30% for the full year
- NPAT up 83% on normalised pcp to $201.0m

| Profit & Loss (A$ million) | FY16 Normalised | FY17 Statutory |
|---|---|---|
| **Revenue** | **1,177.6** | **1,458.0** |
| Operating Costs | (891.5) | (994.4) |
| **EBITDA[1]** | **286.1** | **463.6** |
| *EBITDA Margin (%)* | *24.3%* | *31.8%* |
| Depreciation and amortisation | (134.0) | (160.2) |
| Impairment charges[1] | - | (6.9) |
| **EBIT** | **152.2** | **296.5** |
| *EBIT Margin (%)* | *12.9%* | *20.3%* |
| Net finance costs | (5.4) | (8.1) |
| **Profit before tax** | **146.7** | **288.4** |
| Tax | (36.9) | (87.5) |
| **Net profit after tax** | **109.8** | **201.0** |
| *NPAT Margin (%)* | *9.3%* | *13.8%* |

[1] impairment charges on PLS investment of $9.9m in 2H FY17 shown within EBITDA

# CASH FLOW

- Net cash from operations increased to $381.5m in period
- $42.0m working capital outflow as a result of:
  - Inventory build at Mount Marion and Wodgina mining operations
  - Trade debtor build at Mount Marion and Wodgina mining operations and at new crushing contracts
- Growth capex of $187.5m in FY17 included:
  - Completion of Mt Marion BOO infrastructure
  - Purchase of Wodgina infrastructure, drilling program and associated works
  - Additional crushing capacity
- Maintenance capex of $40.7m continues to run well below depreciation

| Cash Flow (A$ million) | FY16 | FY17 |
|---|---|---|
| **EBITDA (as per P&L analysis)** | **286.1** | **463.6** |
| PLS shares issued | - | (40.1) |
| Movt in working capital | 68.2 | (42.0) |
| **Net cash from operating activities before financing activities and tax** | **354.3** | **381.5** |
| Maintenance capital expenditure | (26.4) | (40.7) |
| **Operating free cash flow (before growth capital expenditure)** | **327.9** | **340.8** |
| Growth capital expenditure | (140.2) | (187.5) |
| **Net free cash flow (before financing and tax)** | **187.8** | **153.4** |
| Tax paid | (32.2) | (78.3) |
| Net interest paid | (6.4) | (7.7) |
| Share buyback | (4.3) | (5.5) |
| Dividends paid | (42.1) | (72.9) |
| Amounts advanced to joint operations[1] | - | (13.5) |
| Amounts advanced to third parties[2] | - | (15.1) |
| Net change in borrowings | 79.3 | 6.7 |
| Sale of property, plant and equipment, and other | 15.1 | 17.1 |
| **Net change in cash and equivalents** | **197.5** | **(15.8)** |

**Notes:**
1. $13.5m external proportion of amounts advanced to RIM for working capital purposes. This balance will be recovered in FY2018
2. $15.1m Empire Oil & Gas Ltd working capital loan. This balance is due for repayment in FY2020

# BALANCE SHEET

- Cash balance of $378m plus substantial syndicated debt facilities available for funding growth projects
- $55m of investments and $29m of loans to third parties held on the balance sheet – refer to the Appendix for more details
- 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

| **Balance Sheet (A$ million)** | **30-Jun-16** | **30-Jun-17** |
|---|---|---|
| **Current Assets** | | |
| Cash and equivalents | 407.3 | 378.2 |
| Trade and other receivables | 83.3 | 93.3 |
| Inventories | 80.0 | 116.4 |
| Other current assets | 15.9 | 6.1 |
| **Total current assets** | **586.5** | **594.0** |
| **Non-current assets** | | |
| Financial assets | 8.4 | 54.9 |
| Property, plant and equipment | 683.5 | 723.7 |
| Intangibles and mine development | 292.0 | 394.8 |
| Deferred tax assets | 33.3 | 51.7 |
| Other non-current assets | 14.6 | 15.4 |
| **Non-current assets** | **1,031.8** | **1,240.5** |
| **Total assets** | **1,618.4** | **1,834.5** |
| **Current Liabilities** | | |
| Trade and other payables | 198.0 | 164.3 |
| Borrowings | 148.0 | 208.4 |
| Other current liabilities | 30.8 | 57.8 |
| **Total current liabilities** | **376.8** | **430.6** |
| **Non-current liabilities** | | |
| Borrowings | 71.4 | 66.2 |
| Provisions | 37.0 | 62.8 |
| Deferred tax liabilities | 124.4 | 142.8 |
| **Total non-current liabilities** | **232.9** | **271.8** |
| **Total liabilities** | **609.7** | **702.4** |
| **Net assets** | **1,008.7** | **1,132.1** |
| **Equity** | | |
| Issued capital | 502.4 | 502.4 |
| Retained profits | 487.1 | 610.1 |
| Other | 19.2 | 19.5 |
| **Total equity** | **1,008.7** | **1,132.1** |


# GROWTH PRIORITIES AND INNOVATION

SUPERQUAD: SAFELY TRANSPORTING PRODUCT OVER 80 MILLION KM PER YEAR

# GROWTH PRIORITIES

## MINING SERVICES

- Growth in Build Own Operate (BOO) contract capacity over the next 12 months including opportunities with existing and new clients to improve efficiency and assist in greenfields operations
- Strong revenue and earnings growth in FY18 driven by:
  - Life of mine Mt Marion mine to port contract (>30 years)
  - 3 additional crushing plants installed in FY17 (34% growth)
  - Life of mine Wodgina mine to port contract (>30 years)
- Current mining services provided include:
  - Mining – drill & blast and haulage
  - Crushing, screening and processing
  - Camp accommodation
  - Power supply
  - Supply chain logistics

## PROFIT SHARE PROJECTS

- Monetising value from assets and commodity projects, a standard feature of the MRL business model
- Expect to continue to grow iron ore tonnes at 20% over next 2 years based upon cost reduction to produce 20 year operational horizon in the Pilbara
- MRL share of lithium DSO and spodumene sales to grow to 4-5Mt and 0.7Mt respectively by FY19
- Looking at a number of attractive profit share opportunities across a range of commodities

## PROFIT SHARE: MOUNT MARION

- Continued optimisation of operations
- Upgrade from 400Ktpa of 4% and 6% product to 400Ktpa of 6% product targeted to be completed in Q3 FY18
- Monetisation of MRL shareholding a priority - discussions with interested parties is progressing. MRL to retain life of mine Mining Services contract

## PROFIT SHARE: WODGINA

- DSO operations commenced in FY17
- Targeting 500Kt of 6% spodumene. Board review for commencing construction Q4 2017, with first product due July 2018
- DSO Operations will remain steady at 4-5Mt per annum during the next 12 months
- Monetisation of 50% of MRL shareholding - discussions with interested parties progressing. MRL to retain life of mine Mining Services contract

# INNOVATION

## GAS/ REMOTE POWER

- MRL’s remote power solution successfully installed and operating at Mt Marion (9 MW) with cost savings realised
- Expected to create savings, provide more certainty of energy costs and substantial environmental benefits for remote projects
- MRL plans to convert its existing diesel power stations to gas or LNG in the future
- Where access to existing pipelines is available, MRL will invest in connections
- Wodgina power station (13.5MW) connected via 81km pipeline
- Potential power supply opportunities for external customers
- Security of gas supply through investment in gas in ground

**Mt Marion Power Station**

**Concept Design of MRL’s Carbon Fibre Truck Tray**

## CARBON FIBRE MANUFACTURING FACILITY

- Invested two and a half years developing automated carbon fibre manufacturing equipment specifically designed to produce structural components for the Mining Services industry
- Initial focus has been on dump truck trays and rail wagons targeting ultra-efficient payload technology
- The first carbon fibre tray is due to be fitted to a dump truck in Q3 2017
- Planning has commenced for the introduction of a production line using robotic technology that will enable the timely and commercial delivery of additional trays and carbon fibre structural components
- Short to medium term returns are considered to be substantial – a 15 tonne payload increase is available on a 150 tonne dump truck fitted with an MRL carbon fibre tray
- Significant testing undertaken to ensure product integrity

# INNOVATION

## BULK ORE SHUTTLE SYSTEM (BOSS)

- An innovative design that captures aspects of a road train, overland belt conveyor and a track mounted vehicle to deliver a highly efficient, reliable and cost effective ore transport solution for the mining industry
- Combines the efficiency of a track mounted vehicle with proven modern fuel efficient automotive hybrid battery technology
- Can be an alternative to a traditional 10km+ overland belt conveyor
- MRL has entered into a equal partnership with the inventors of the system, Destec Pty Ltd, to develop the intellectual property through to prototype stage complete with a 4km trial track to prove the system before proceeding to the first commercialised application of a nominal 300km line by mid-2019

MRL's design - Bulk Ore Shuttle System

## ROAD TRANSPORT

- MRL has successfully introduced the Super Quad haulage configuration increasing payloads from 108 to 138 tonnes and delivering $5/tonne cost and efficiency improvements
- MRL is currently trialling larger road train payloads of up to 167 tonnes to deliver further cost savings

MRL's Super Quad Road Train

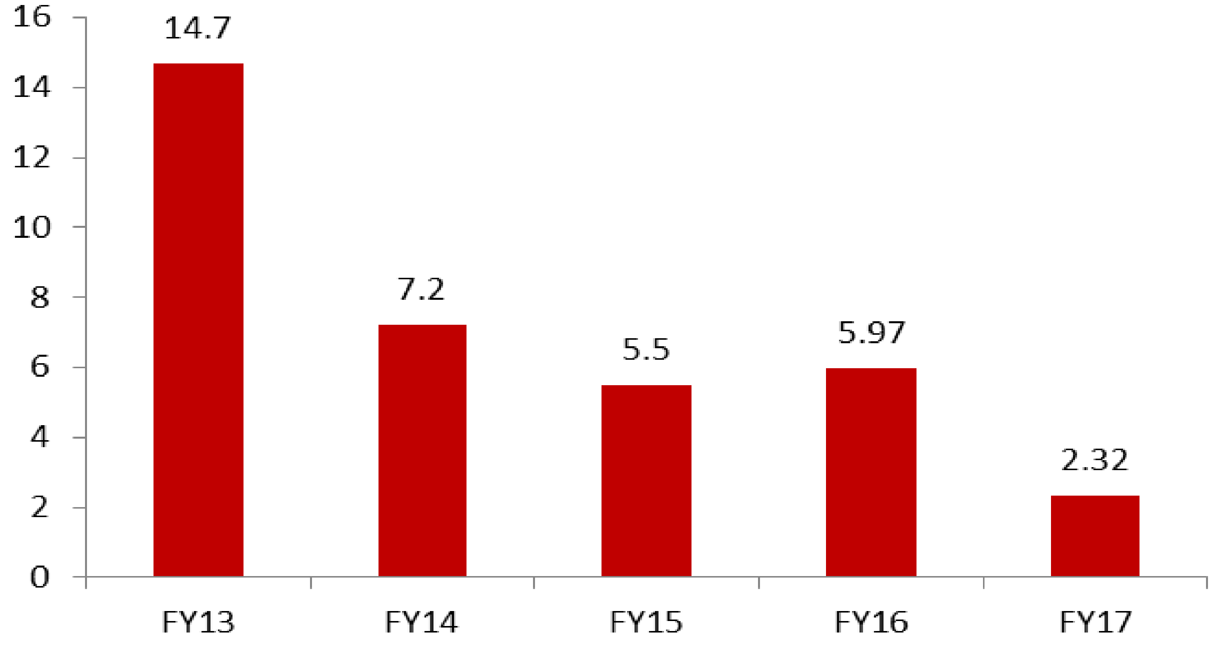
# SAFETY, ENVIRONMENT AND GOVERNANCE

BEST PRACTICE SAFETY AND
ENVIRONMENTAL PERFORMANCE

# SAFETY & ENVIRONMENT

- Total Recordable Injury Frequency Rate (TRIFR) achieved the lowest number in MRL history (2.32)
- Lost Time Injury Frequency Rate (LTIFR) remains at 0.00, above industry standard
- High Potential events continue to be monitored and tracked, fine-tuning our focus on proactive and preventative strategies in our business
- The MRL Lead Indicator program is continually improving with a clear focus on quality, reflecting the overall improved safety performance of the business
- Supervisor Safety Leadership Training (Steel Cap Program) has seen 90 identified leaders complete this program to date, supporting our commitment to developing frontline leadership capability. This is a key platform for improved Supervisor engagement, ensuring our field leadership are adequately equipped to lead and promote safety for MRL into the future

**MRL Group Total Recordable Injury Frequency Rate (TRIFR)**



# FY2018 OUTLOOK

EBITDA GUIDANCE BETWEEN $425M AND $460M

# FY2018 OUTLOOK

- EBITDA guidance of a minimum of $500m with the result skewed to the second half

- Key drivers include:
  - 130Mt of equivalent crushing capacity
  - Full year impact of FY2017 wins in crushing and mine to port services contracts
  - 16.95Mt of exported product comprising:
    - 12.3Mt of iron ore, skewed to second half
    - 4.25Mt of lithium DSO
    - 400Kt 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 dry tonne
  - Lower grade iron ore to continue to attract abnormally high discounts
  - 6% spodumene price of US$841 per dry tonne

- Capital expenditure of between $200m and $250m including 500Kt Wodgina spodumene plant

- Guidance does not include monetisation of Mt Marion or Wodgina shareholdings

# APPENDIX
# ADDITIONAL INFORMATION

"PARTNER WITH SELECTED CLIENTS TO DELIVER INNOVATIVE HIGH QUALITY AND COST EFFICIENT MINERAL PROCESSING AND MINING INFRASTRUCTURE PIT TO PORT SOLUTIONS"

# MRL BUSINESS MODEL

MINERAL RESOURCES

## Mining supply chain






| | Site services | Mining | Plant / Processing | Transport | Port services | Sales |
|---|---|---|---|---|---|---|
| Current MRL services | • Remote, mine-site accommodation services<br>• Remote power services<br>• Aerodrome management / personnel transport | • Mine scheduling and grade control<br>• Mining operations and mine site haulage<br>• Dewatering<br>• Equipment hire | • Crushing and mineral processing<br>• Beneficiation services<br>• Mobile processing services<br>• Pipeline and water solutions | • Road & rail logistics from mine to port<br>• Owner of locomotives and customised wagons<br>• Road transport solutions (inc. bulk ore road haulage) | • Port logistics<br>• Ship loading | • Commodity sales & marketing |
| Key attributes of revenue model | **Option 1**<br>• Build, own, operate<br>• Performance based model<br>**Option 2**<br>• Design, build and transfer (EPC) | • Paid per tonne | **Option 1**<br>• Build, own, operate<br>• Performance based model<br>**Option 2**<br>• Design, build and transfer (EPC) | • Build, own, operate<br>• Performance based model | • Build, own, operate<br>• Performance based model | • Profit share model |
| Services by external parties | • Aircraft services | • Drill and blast | | • Below rail (Yilgarn operation) | • Port infrastructure (Yilgarn & Pilbara operations)<br>• Shipping and stevedoring | |

# 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<br>• 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<br>• 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<br>• 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

MINERAL RESOURCES

***MRL is uniquely positioned to benefit from profit share partnerships***

## MRL'S PROFIT SHARE MODEL – STAGES IN THE CYCLE

**Acquire / joint venture**

- MRL targets undeveloped resource assets that will materially benefit from MRL's mining infrastructure solutions

**Development**

- MRL designs, constructs and operates mine to port services

**Optimise**

- MRL operates mine infrastructure under a Build-Own-Operate contract
- MRL works to improve efficiencies across the supply chain

**Monetise**

- Monetise MRL's equity share over medium to long term. Look to reinvest capital in opportunities to further develop Mining Infrastructure Services business

**Services contract**

- MRL retains services contract under new ownership of resource asset

## 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 benefits 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

# 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 prices[1])** | $47.8m | $2.6m in equity plus a $15.1m debt facility | Not a listed company | $4.5m |

[1] Market price at close on 4 August 2017

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