

Quarterly Exploration and Mining Activities Report

January to March 2020 (Q3 FY20)



Q3 Highlights

- The coronavirus (COVID-19) crisis did not materially impact MRL's operations during Q3 FY20. At this time, it is unclear what impact it will have on the remainder of the calendar year, including on demand and consumption for either iron ore or lithium.
- Safety performance continued to improve, with a Total Reportable Injury Frequency Rate (TRIFR) for the last twelve months of 3.36. This represented an improvement of 16% compared to the performance in FY19.
- Our Mining Services business continues to perform strongly. We expect second half Mining Services EBITDA to be similar to the first half (\$172m) on the basis that there is no disruption from COVID-19 over Q4 FY20.
- Total iron ore production of 3.4 million wet metric tonnes (wmt) was 3% higher than Q2 FY20 and up over 28% on the prior corresponding period (Q3 FY19). Iron ore shipments of 2.9 million wmt were 12% lower than Q2 FY20.
- Average revenue received of US\$75 per dry metric tonne iron ore was achieved during the quarter, 5% lower than Q2 FY20.
- While we began to benefit from lower energy prices during the quarter, we have also invested in measures to protect the health and safety of our workforce from the effects of COVID-19. Full year operating cost guidance for our commodities business remains unchanged.
- Mining operations at Koolyanobbing were impacted by heavy rainfall during the quarter while shipments were lower due to a slower than expected ramp up of rail capacity. Koolyanobbing is forecast to produce at an annualised run rate of 11 million tonnes per annum (Mtpa) during Q4 FY20 with additional dump trucks commissioned and additional rail capacity brought on line. Due to the lower shipments during the third quarter, export expectations from Koolyanobbing have been lowered 19% to between 7.1 to 7.6 million tonne (mt) for FY20.
- Iron Valley produced 1.7 million wmt of product for the quarter, up around 20% on each of the prior period and the prior corresponding period. The additional production will support higher shipping tonnages in Q4 FY20, with export expectations for FY20 increased 9% to between 6.6 to 7.0 mt.
- Mt Marion Lithium Project produced 111,000 wmt and shipped 99,000 wmt of spodumene concentrate during the quarter. An updated production outlook for FY20 was completed, based on an optimised mine plan which includes lower processing throughput to achieve a higher yield from ore processed and continues to include 4% spodumene concentrate production.
- MRL agreed a series of arrangements with BCI Minerals Limited (ASX: BCI, BCI) that will enhance MRL's iron ore footprint in the Pilbara region, including the purchase of the Buckland Project from BCI for cash consideration of up to \$20 million and the optimisation of the existing Iron Valley Agreement whereby BCI will participate in the capital investment required to extend the mine life at Iron Valley.¹
- MRL entered into an Asset Sale Agreement with Resources Development Group Limited (ASX: RDG, RDG) to transfer a 100% interest in its non-core Ant Hill and Sunday Hill manganese assets to RDG in return for MRL receiving scrip equivalent to a 75% shareholding in RDG. The transaction is anticipated to complete by the end of FY20.²

¹ See ASX announcement 31 March 2020

² See ASX announcement 19 March 2020

COVID-19 Update on Operations

The coronavirus (COVID-19) crisis is causing significant damage to communities across Australia and the world. Since the outbreak in January 2020, MRL has continuously monitored developments around the world along with guidelines introduced by the Federal and State Governments and the health authorities to minimise the risks that COVID-19 present to us.

In April 2020, we purchased gold-standard testing equipment and commenced swab screening for all of our fly-in fly-out (FIFO) workforce for COVID-19 as part of our total approach to minimising the spread of the virus. Our aim is to ensure that anyone travelling to our sites is free of the virus.

- Screening is being conducted at drive-through locations in the Perth metropolitan area, so that workers do not have to leave their vehicle during the process. Qualified nursing staff with full medical PPE clothing and equipment undertake all collection. The samples collected are being processed in a National Association of Testing Authorities (NATA) accredited laboratory for analysis.
- The COVID-19 screening process is part of Mineral Resources' standard 'fit for work' regime, and will remain in place until the Commonwealth and State Governments declare that the coronavirus is no longer a risk to our community
- The MRL machines are capable of performing a high volume of tests and we have offered the screening process to other resource companies to ensure this pandemic does not force the closure of Western Australia's mining industry

This initiative complements other actions taken on our sites, further details of which are available at www.mineralresources.com.au/home-page/covid19-response/.

Production and Commodity Shipments

| '000 wet metric tonnes | Q3 FY20 | | Q2 FY20 | | Q3 FY19 | |
|---------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | PRODUCED | SHIPPED | PRODUCED | SHIPPED | PRODUCED | SHIPPED |
| IRON ORE | | | | | | |
| Iron Valley | 1,684 | 1,323 | 1,391 | 1,535 | 1,368 | 1,788 |
| Koolyanobbing | 1,752 | 1,574 | 1,938 | 1,745 | 1,303 | 1,518 |
| TOTAL IRON ORE | 3,436 | 2,897 | 3,329 | 3,280 | 2,671 | 3,307 |
| SPODUMENE | | | | | | |
| Mount Marion ¹ | 111 | 99 | 124 | 99 | 107 | 111 |
| Wodgina ² | - | - | 9 | - | - | - |
| TOTAL SPODUMENE | 111 | 99 | 133 | 99 | 107 | 111 |
| GRAND TOTAL | 3,547 | 2,996 | 3,462 | 3,379 | 2,778 | 3,418 |

¹ Volumes presented as 100% for the Mt Marion project. MRL operates 100% of the Mt Marion project, in which it owns a 50% interest

² Volumes presented as 100% for the Wodgina Lithium project. The project is structured as an unincorporated joint venture from 1 November 2019 with MRL holding a 40% interest. The project is currently on care and maintenance.

LITHIUM

Wodgina Lithium Project

| '000 wet metric tonnes | Q3 FY20 | Q2 FY20 | Q3 FY19 |
|--------------------------|---------|---------|---------|
| LITHIUM SPODUMENE | | | |
| Mined | - | 198 | - |
| Produced | - | 9 | - |
| Shipped | - | - | - |

Volumes presented as 100% for the Wodgina Lithium project. The project is structured as an unincorporated joint venture from 1 November 2019 with MRL holding a 40% interest. The project is currently on care and maintenance.

The Wodgina Lithium Project is structured as an unincorporated joint venture (MARBL JV) between MRL (40%) and Albemarle Corporation (60%) effective from 1 November 2019. The project is currently on care and maintenance due to the challenging global lithium market conditions and to preserve the value of the world-class Wodgina spodumene ore body.

MARBL JV will regularly review market conditions with a view to resuming spodumene concentrate production as and when required; driven by market demand. MRL remains confident in the Wodgina Lithium Project as a world-class asset and the decision to partner with Albemarle to help MRL drive sustainable and lasting value for shareholders.

Mt Marion Lithium Project

| '000 wet metric tonnes | Q3 FY20 | Q2 FY20 | Q3 FY19 |
|--------------------------|---------|---------|---------|
| LITHIUM SPODUMENE | | | |
| Mined | 591 | 804 | 757 |
| Produced | 111 | 124 | 107 |
| Shipped | 99 | 99 | 111 |

Volumes presented as 100% for the Mt Marion project. MRL operates 100% of the Mt Marion project, in which it owns a 50% interest.

An updated production outlook for FY20 was completed during the quarter, based on an optimised mine plan. The optimised mine plan includes lower processing throughput to achieve a higher yield from ore processed and continues to include 4% spodumene concentrate production.

Mining activities continued during the quarter with 591,000 wmt of ore mined and 6.2 million wmt of total material moved. A temporary decrease in mining volumes was observed during the quarter as a result of moving from the central pit to N6 and N7 pits, however ore mined was sufficient to meet processing requirements of the optimised mine plan while maintaining required minimum inventory levels.

During the quarter, the processing plant's utilisation increased by 3% to 90% and the throughput rate decreased from 340 tonnes per hour (tph) to 295 tph, in line with the optimised mine plan. This resulted in beneficiated feed tonnes decreasing to 579,000 wmt compared to 655,000 wmt in the previous quarter. Despite the lower feed tonnes, 111,000 wmt of product was produced, compared to 124,000 wmt in the previous quarter. The proportion of high-grade (6%) spodumene concentrate produced during the quarter was 55%, compared to 62% in the previous quarter.

The slightly lower production was supplemented by a drawdown on product stockpiles to ship a total of 99,000 wmt in the quarter, in line with the prior quarter's shipments.

The MRL-operated Mt Marion Lithium Project is a joint project between MRL (50%) and one of the world's largest lithium producers, Jiangxi Ganfeng Lithium Co., Ltd (50%).

IRON ORE

Iron Valley

| '000 wet metric tonnes | Q3 FY20 | Q2 FY20 | Q3 FY19 |
|------------------------|---------|---------|---------|
| Mined | 1,357 | 1,275 | 1,186 |
| Produced | 1,684 | 1,391 | 1,368 |
| Shipped | 1,323 | 1,535 | 1,788 |

Production ramped up mid-way in Q3, in line with the medium term mine plan.

Mining commenced in the C10 pit during the quarter, aligned to the mine expansion project. Four new bores were equipped to lower local groundwater in the C8 pit. Development work in C8 concluded with mining in this area focussed solely on delivering ore supply to the crushing plant. Additional stockpiled material was crushed through the mobile crusher to supplement saleable stock.

The Iron Valley crushing operations produced 1.7 million wmt of product for the quarter. The additional crushed tonnes will support plans for additional shipping in Q4.

Koolyanobbing

| '000 wet metric tonnes | Q3 FY20 | Q2 FY20 | Q3 FY19 |
|------------------------|---------|---------|---------|
| Mined | 1,262 | 2,367 | 1,591 |
| Produced | 1,752 | 1,938 | 1,303 |
| Shipped | 1,574 | 1,745 | 1,518 |

Mining operations commenced at the Mt Jackson pits during March in addition to further stripping activities at Deception; this was performed to open up ore tonnes and position the mine to achieve the Q4 ramp up to 11.0Mtpa. Mining at Koolyanobbing was additionally impacted by heavy rainfall during the quarter with a total of 189 millimetres of rain recorded from January to March, slowing down mining operations.

Additional 150 tonne and 205 tonne dump trucks were mobilised to site and commissioned for scheduled ramp-up to 11 Mtpa. Ore processing exceeded ore shipped for the quarter with inventory at the mine continuing to be built for the ramp-up.

Additional rail capacity has been brought on line during the quarter, increasing towards the target of 20 consists.

MINING EXPLORATION AND DEVELOPMENT ACTIVITY

West Pilbara Iron Ore

During the quarter, MRL announced it had agreed a series of arrangements with BCI Minerals Limited (ASX: BCI, BCI) that will enhance MRL's iron ore footprint in the Pilbara region. The agreements include the purchase of the Buckland Project from BCI for cash consideration of up to \$20 million and the optimisation of the existing Iron Valley Agreement whereby BCI will participate in the capital investment required to extend the mine life at Iron Valley through a partial rebate of MRL's payments to BCI. See MRL ASX announcements 31 March 2020.

The transaction to purchase the BCI subsidiaries holding the Buckland Project was subsequently completed in April 2020.

Kumina Iron Ore Project

A JORC mineral resource update for the Kumina Iron Ore Project is currently underway and will be reported by end FY20. A follow up drill campaign for Kumina previously planned for Q4 FY20 has now been rescheduled to Q1 FY21 due to COVID-19.

Marillana Iron Ore Project

A drilling program for the Marillana Iron Ore Project commenced on 3 January 2020 and was completed on 18 February 2020. In total, 17 diamond drill holes were drilled for 971.8 metres. The drilling was completed by Terra Drilling and Westcore Drilling. The aim of the program was to provide sufficient samples for further metallurgical test work. This metallurgical test work is now underway and results are expected towards the end of Q1 FY21.

MRL is conducting exploration and development activities on the Marillana Iron Ore Project as part of its farm-in obligations under the Farm-in and Joint Venture Agreement with Brockman Iron Pty Ltd, a subsidiary of Brockman Mining Limited (SEHK: 159; ASX: BCK). MRL will acquire a 50% interest in the project on completion of its farm-in obligations.

Ant Hill Manganese

During the quarter, MRL announced that it had entered into an Asset Sale Agreement with Resources Development Group Limited (ASX: RDG, RDG). MRL will transfer a 100% interest in its non-core Ant Hill and Sunday Hill manganese assets to RDG in return for MRL receiving scrip equivalent to a 75% shareholding in RDG. The transaction, which is anticipated to complete by the end of FY20, will restructure the manganese assets to RDG that is a company more relevant in scale, enabling MRL to realise value today while preserving longer term optionality. In addition and subject to completion of the transaction, MRL will provide assistance for the development of a manganese project via a services contract with RDG and provide funding assistance through a secured loan to enable RDG to develop the manganese assets. The manganese assets subject to the transaction comprise of mining leases M46/237 (Sunday Hill), M46/238 (Ant Hill) and miscellaneous licence L46/67.

A separate JORC Mineral Resource statement was also released to complement the Sale Agreement with RDG. As disclosed to the ASX, MRL reported the Ant Hill Mineral Resource to be 3.1Mt (dry) at 24.7% Mn, 23.7% Fe and 16.5% SiO₂, using a nominal Mn cut-off grade of 10%. See MRL ASX announcements 19 March 2020.

OIL AND GAS

Energy Resources Limited (ERL), a wholly owned MRL subsidiary, holds nine oil and gas exploration permits across the onshore Perth Basin, extending from south of the Perth metropolitan area to the Shire of Mingenew north of Perth and covering an area of 6,603 square kilometres. This makes ERL one of the largest permit holders in the onshore Perth Basin.

MRL has been progressing the oil and gas exploration program this quarter, with focus on delivering a high impact conventional gas drilling program on our northern acreage, and a seismic acquisition program on our southern acreage to assist in defining future conventional gas drilling targets.

Due to the impacts of COVID-19, moving equipment and crews from eastern Australia is challenging, and so MRL is in the process of applying for a 12-month suspension on these programs. To support these applications, under the Petroleum Act Guidelines, on 1st April MRL submitted a Notice of Force Majeure to cover all exploration programs against the impacts of COVID-19.

MRL is liaising closely with the Department of Mines, Industry Regulation and Safety (DMIRS) to negotiate these work program suspensions, and is confident of these suspension being granted, noting that various regulatory bodies including DMIRS for the mining industry, NOPTA for offshore oil and gas and the South Australian Government for onshore oil and gas exploration are providing a variety of exemptions for oil and gas operators to ensure the resources industry continues to operate and thrive whilst maintaining a safe and healthy workplace for their people.

MRL continues to progress all of these work program commitments where possible, to ensure that operations can recommence as soon as possible.

This announcement dated 24 April 2020 has been authorised for release to the ASX by Mark Wilson, Company Secretary of Mineral Resources Limited.

Further Information

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Competent Person's Statement

The information presented is extracted from previous MIN ASX announcements available on the company website at www.mrl.com.au. The company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and, in the case of estimates of Mineral Resources or Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

About Mineral Resources Mineral Resources Limited (ASX: MIN) is a Perth-based leading mining services provider, with a particular focus on the iron ore and hard-rock lithium sectors in Western Australia. Using technical know-how and an innovative approach to deliver exceptional outcomes, Mineral Resources has become one of the ASX's best-performing contractors since listing in 2006.

To learn more, please visit www.mrl.com.au.

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