BELL POTTER

8 November 2021

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Mineral Resources Ltd (MIN)

September Quarter Update

Recommendation
Buy (unchanged)
Price
$37.88
Target (12 months)
$50.45 (previously $54.25)

GICS Sector

Materials

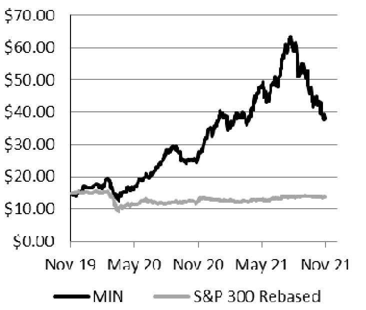
Expected Return	
Capital growth	33.2%
Dividend yield	0.8%
Total expected return	34.0%

Company Data & Ratios	
Enterprise value	$6,291.9
Market cap	$7,153.7
Issued capital	188.9m
Free float	88%
Avg. daily val. (52wk)	$46.4m
12 month price range	$25.70-$65.38

Price Performance

	(1m)	(3m)	(12m)
Price (A$)	42.98	60.27	24.33
Absolute (%)	-11.9	-37.1	55.7
Rel market (%)	-11.4	-37.3	37.8

Absolute Price



SOURCE: IRESS

September 2021 quarterly report

MIN achieved good production performance, announced commercial production from the Kemerton lithium hydroxide plant by mid-2022, and that mining would restart at the Wodgina lithium mine in Q1FY23. The price received for its Mount Marion lithium concentrate was double the average price received in FY21. However, this was overshadowed by a large contraction in iron ore demand (MIN's dominant revenue earning product over the last twelve months), the resulting iron ore price decrease, and increases in grade and quality discounts applied to MIN's ~58% Fe product.

Price realisation: fines, lump and magnetite

In the last year, MIN's existing iron ore operations were configured to maximise throughput by exporting all fines products. During the quarter, MIN made processing plant modifications to enable the flexibility to produce a proportion of lump iron ore (which attracts a price premium relative to fines). Longer term, MIN highlighted exploration work in the Yilgarn for magnetite resources, which are capable of producing ~65% Fe products.

Investment thesis – Buy, Target Price $50.45/sh

We maintain our Buy recommendation for MIN in accordance with our ratings framework. We forecast further iron ore price volatility and reductions towards lower long-term levels. In the next twelve-months there are a number of catalysts for MIN's share price. News flow around strategically important iron ore export capacity expansions of up to 80 Mtpa in Western Australia is expected. In lithium, news is expected around downstream processing and recommencing production from Wodgina. Production testing of the Lockyer Deep 1 natural gas well is planned for Q3FY22, and further disclosures around MIN's energy business ambitions are expected, including additional exploration activities. Changes to our earnings estimates with this update include 50%, 18% and 17% decreases to FY22e, FY23e and FY24e respectively, resulting primarily from our changes to our forecast commodity prices and our forecast iron ore quality discounts.

Earnings Forecast

Year end 30 June	2021a	2022e	2023e	2024e
Sales (A$m)	3,978.9	3,456	3,795	3,028
EBITDA (A$m)	2,272	946	1,068	839
NPAT (reported) (A$m)	1,268	378	464	369
NPAT (adjusted) (A$m)	1,129	378	464	369
EPS (adjusted) (¢ps)	597.6	200.0	245.6	195.2
EPS growth (%)	26%	-70%	23%	-21%
PER (x)	5.6	18.9	15.4	19.4
FCF Yield (%)	6.9	0.1	6.2	3.0
EV/EBITDA (x)	3.0	7.3	6.5	8.3
Dividend (¢ps)	275	32	116.8	58.5
Yield (%)	7.3%	0.8%	3.1%	1.5%
Franking (%)	100%	100%	100%	100%
ROE (%)	39%	11%	13%	10%

SOURCE: BELL POTTER SECURITIES ESTIMATES

September quarter update

Quarterly production and commodity prices

Production and shipments of both iron ore and lithium spodumene concentrates were broadly in-line with guidance and our forecasts. Reported production was 5 Mt of iron ore and ~100 kt of lithium spodumene concentrate, with both iron ore and lithium on-track to achieve FY22 production guidance. 5 Mt of iron ore was shipped. Shipments of lithium spodumene concentrate totalled 71 kt, lower than produced, due to a shipment being delayed until Q2FY22.

Lithium spodumene concentrate prices increased to ~A$1,000/dt (announced $US740.6/dt, converted using USD:AUD 0.74, where 'dt' means 'dry tonne'), which is double the average price achieved in FY21 of A$535/t and will have a corresponding uplift on Lithium revenue. The average realised iron ore price fell from US$178/dt to US$78/dt, resulting in a significant reduction of quarterly iron ore sales revenue.

Koolyanobbing magnetite exploration

MIN announced that exploration drilling at Koolyanobbing would test for economic magnetite (an iron mineral not currently mined by MIN). Magnetite is typically lower-grade than hematite (currently mined by MIN), and consequently requires further processing (through grinding and magnetic separation). Magnetite is the subject of Fortescue Metal Group's (FMG, Buy, TP$19.75/sh) Iron Bridge Project which is under construction in Western Australia.

While only at the exploration stage (and therefore inherently risky), a potential magnetite operation at Koolyanobbing creates potential opportunities for MIN as:

- The last Ore Reserve announced (in November 2019) for Koolyanobbing contained ~40Mt of hematite ore. Consequently, the project is understood to have a relatively short residual mine life which could be extended via the potential mining of the magnetite deposit.
- Given existing infrastructure (including port and rail) is suitable for annual production of up to 10 Mtpa, development of a magnetite project of 10 Mtpa scale would be relatively low-capital intensity.
- After processing, magnetite products are typically high-grade (~65% Fe), resulting in higher prices per tonne based on iron units, and can attract grade and quality premiums depending on market conditions (which leads to improved iron-ore price realisation).
- Continuing operations at Koolyanobbing would increase MIN's future production profile (beyond the 5-year timeframe) by 10 Mtpa, and delay closure of Koolyanobbing.

In addition to defining sufficient Resources, other aspects of technical and economic feasibility are yet to be evaluated by MIN, including: strip ratios (which affects mining costs), ore-processing requirements, and final-product quality (which determines saleability). Presently, we ascribe no value to this opportunity, but note that drilling is not the first step in the exploration process, which infers that target mineralisation is likely to have been identified at surface or in geophysics.

Iron ore price realisation

In its quarterly, MIN provided detail on the quarterly price realisation and noted:

- Price realisation was affected by two factors: increasing quality discounts and adjustments for provisional priced shipments. Both of which are as a result of reductions in benchmark iron ore prices.
- The headline realisation figure of 48% was affected by negative adjustments to provisionally price shipments $US33.8m, resulting from large changes in both iron ore prices and product quality discounts.
- For shipments finalised in the September quarter, the average realisation relative to the 62% price was 76% (a 24% discount).

MIN's announcements and projects include a number of plans to reduce the sensitivity of its business to quality discounting that results from the iron ore price cycle, including:

- In the short term, the quarterly report highlights plant modifications at Iron Valley and Wonmunna to enable blend management, which will improve price realisation by facilitating a return to lump iron ore production.
- A significant proportion of product from the proposed South West Creek hub would be a 60% Fe product (up from the current 58% Fe product).
- A conceptual magnetite project at Koolyanobbing could potential produce a ~65% Fe product, likely to attract a quality premium.

Kemerton construction progress, Wodgina restart

MIN announced a number of points in relation to its lithium business"

- Having previously announced that commissioning of the Kemerton Lithium Hydroxide plant (Kemerton) was expected in late 2021, MIN announced that it expected Kemerton to reach commercial production by Q3CY22.
- Further, and coinciding with the availability of Kemerton downstream processing capacity, MIN announced that Wodgina would restart production in Q3CY22, at a rate of 250 ktpa (from the first of three process lines).

We expect that further increased spodumene concentrate production from Wodgina will not commence until additional downstream processing capacity is added.

Changes to our forecasts

With this update we incorporated the following changes to our modelled assumptions and valuation for MIN:

- Further reduced iron ore quality discounts in the short term, reflecting our forecast that iron ore prices will continue to decline.
- Updated our assumptions relating to the Mount Marion lithium offtake agreement.
- Brought forward the Wodgina start date by 1-year to Q1FY23, from our previously assumed Q1FY24.

The net changes compared with our previous forecasts are summarised in the table below.

Table 1 - Changes to our forecasts

	Previous			New			Change		
Year ending 30 June	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
Prices&currency									
Ironorefines@62%FeCFR	118	100	95	118	100	95	1%	0%	0%
Spodumeneconcentrate(6%)	853	854	901	853	854	901	0%	0%	0%
LithiumHydroxideMonohydrate	16,663	16,813	17,764	16,663	16,813	17,764	0%	0%	0%
Spotfreight(Aust-China)	11.00	12.00	12.00	11.0	12.0	12.0	0%	0%	0%
AUD:USD	0.74	0.73	0.73	0.74	0.73	0.73	0%	0%	0%
Equityproduction									
IronOre(Mt)	22	21	16	22	21	16	0%	0%	0%
SpodumeneConcentrate(kt)	227	227	227	227	227	227	0%	0%	0%
LithiumHydroxide(kt)	5	20	20	5	20	20	0%	0%	0%
Earnings									
Revenue($m)	4,044	3,950	3,145	3,456	3,795	3,028	-15%	-4%	-4%
EBITDA($m)	1,474	1,209	945	946	1,068	839	-36%	-12%	-11%
NPAT(adjusted)($m)	749	564	445	378	464	369	-50%	-18%	-17%
EPS(adjusted)(cps)	396.4	298.7	235.4	200.0	245.6	195.2	-50%	-18%	-17%
PER(x)	11.0	14.6	18.5	18.9	15.4	19.4	73%	6%	5%
DPS(reported)(cps)	223.2	126.5	140.4	175.0	93.0	114.3	-22%	-26%	-19%
Yield(%)	5.1%	2.9%	3.2%	4.6%	2.5%	3.0%	-10%	-16%	-7%
PriceTarget(A$/sh)		54.25			50.45				

SOURCE: BELL POTTER SECURITIES

Upcoming catalysts

Key upcoming catalysts include:

- Ongoing short term iron ore price volatility impacting MIN's iron ore price realisations and share price.
- Production testing results from the Lockyer Deep 1 gas well are planned for Q3FY22.
- Government approvals for the development of iron ore port infrastructure and channel allocation feature as significant events for MIN.
- MIN has indicated that its goal is to convert all lithium spodumene concentrates it produces to lithium. Announcements relating to the further expansion of MIN's downstream lithium business are likely to have a positive impact on valuation.

Valuation methodology

Our valuation is based upon the twelve-month forward net present value (NPV, 10% post-tax nominal discount rate) of forecast free cash flows of MIN's operating business units. In addition we attribute value to MIN's portfolio of projects and investments. Our valuation is based on the following components:

- Services business: Estimated future contract volumes, and margins.
- Commodities operations: DCF cases that consider mineral inventories, and estimate costs and revenues.
- Commodities projects and non-operating assets: Risk-adjusted DCF cases that consider mineral inventories and estimated costs and revenues.
- Investments and exploration projects: Mark-to-market valuation of MIN's listed investments.
- Corporate costs and cash: Estimated MIN corporate costs and net-cash balances.

Our latest valuation is summarised in the table below.

Table 2 - MIN sum-of-the-parts valuation summary

Ordinary shares (m)		188.9
Options in the money (m)		0
Diluted (m)		188.9
Sum-of-the-parts	**$m**	**$/sh**
Services	2,001	10.6
Commodities (Iron Ore and Lithium mining operations)	1,430	706
Corporate and Central	-866	-4.59
Project – Wodgina Lithium MIne (re-starting Q3CY22)	1,144	6.1
Project – Ashburton Iron Ore Hub (rsk-adjusted)	4,073	21.6
Project – South West Creek Iron Ore Hub (rsk-adjusted)	562	3.0
Project – Lithium Hydroxide Pant (risk-adjusted)	167	0.9
Investments	491	2.6
Subtotal	**9,000**	**47.7**
Net Cash (debt)	526	2.8
Total (undiluted)	**9,527**	**50.45**
Add options in the money (m)	0	0
Add cash	0	0
Total (diluted)	**9,527**	**50.45**

SOURCE: BELL POTTER SECURITIES ESTIMATES

The latest capital structure is summarised in the table below:

Table 3 - Capital Structure

Performance shares / other (m)	m	
Shares on issue	m	188.85
Total issued shares	**m**	188.85
Share price	**$/sh**	37.88
Market capitalisation	$m	7,153.7
Net cash	$m	231.7
Enterprise value (undiluted)	**$m**	6,921.9
Options outstanding (m)	m	0.0
Options (in the money)	m	0.0
Issued shares (diluted for options)	m	188.85
Market capitalisation (diluted)	m	7,153.6
Net cash + options	$m	231.7
Enterprise value (diluted)	**$m**	6,921.9

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

Investment thesis – Buy, Target Price $50.45/sh

We maintain our Buy recommendation for MIN in accordance with our ratings framework. We forecast further iron ore price volatility and reductions towards lower long-term levels. In the next twelve-months there are a number of catalysts for MIN's share price. News flow on approvals and disclosures relating to constructing strategically important iron ore export capacity expansions of up to 80 Mtpa in Western Australia is expected. In lithium, further announcements are expected around downstream processing, and recommencing production from idle processing lines at Wodgina. Production testing of the Lockyer Deep 1 natural gas well is planned for Q3FY22, and further disclosures around MIN's energy business ambitions are expected, including additional exploration activities. Changes to our earnings estimates with this update include a 50%, 18% and 17% decreases to FY22e, FY23e and FY24e respectively, resulting primarily from our changes to our forecast commodity prices and our forecast iron ore grade and quality discounts.

Company description

Company overview

Based in Western Australia (WA), MIN is a mining services company, which holds a portfolio of mining operations and development projects. MIN's portfolio spans a wide range of business activities including:

- Mining services: MIN's services business encompasses: construction, mining, crushing, processing and haulage, as well as a range of other services.
- Iron ore commodities: MIN operates two Iron Ore export businesses in WA.
- Lithium commodities: MIN holds direct interests in two lithium mines, and one lithium hydroxide processing plant in WA.
- Development projects: MIN is advancing a number of Iron Ore development projects in WA.
- Investments and exploration activities: MIN has a significant portfolio of investments and exploration assets in WA.

Mining services

MIN provides mining services in: construction, mining, crushing, processing and construction. MIN's long history as a service provider forms the foundation of its core competency, and provides it with a project development competitive advantage. Further, MIN's complementary service and commodities business provide it with multiple options for mutually beneficial agreements with joint venture partners.

Iron ore commodities

MIN operates two iron ore operations in WA: The Yilgarn Hub and the Utah Point Hub.

The Yilgarn Hub is centred on the Koolyanobbing Mine, where direct shipping ore (DSO) is mined, crushed and transported (by rail) to the Port of Esperance, prior to being loaded onto ships for export. FY21 production guidance is 10.5Mt to 11Mt of ~58% Fe product. In late CY19, MIN announced Ore Reserves 40.8Mt for its Yilgarn Hub.

Utah point hub. Capacity. Port allocation ad guided production.

MIN exports iron ore from the Utah Point Berth (in Port Hedland, operated by the Pilbara Port Authority). From Utah Point, MIN ships ore from the Iron Valley and Wonmunna mines. For 2021, MIN have provided production guidance for the Utah Point Hub of 10.5Mt to 11Mt of ~58% Fe product. In late CY19, Ore Reserves of 89Mt were announced for Iron Valley. And in late CY20, Ore Reserves of 28.9Mt were announced for Wonmunna.

Lithium commodities

MIN's asset portfolio includes ownership in two hard-rock lithium mines and a lithium hydroxide processing plant, all located in WA, and includes:

- Mount Marion Lithium Mine.
- Wodgina Lithium Mine (care-and-maintenance)
- Kemerton Lithium Hydroxide Plant

MIN operates the Mount Marion lithium mine in a 50:50 JV with Genfeng Lithium Co. Mount Marion is located in the Goldfields region of WA, with production guidance of between 450kt and 475kt of spodumene concentrates in 2021.

MIN owns 40% of the Wodgina lithium mine (on care-and-maintenance) in JV with Albemarle Corporation. Wodgina is located in the Pilbara region of WA, and when operating can produce up to 750ktpa of spodumene concentrate, from processing approximately 5.65 Mtpa ore tonnes.

MIN owns 40% (in JV with Albemarle) of the first two processing trains at Kemerton Lithium Hydroxide plant, near Bunbury in WA. Kemerton will process spodumene concentrates to produce about 50kt of LCE of lithium hydroxide.

MIN has announced that it intends to move towards processing all of its lithium spodumene concentrates into lithium hydroxides, this will facilitate capturing downstream margins.

Development projects

Included in MIN's asset portfolio are two significant iron ore hub development projects, including: the Ashburton Hub and the South-West Creek Hub. These projects are the basis of MIN's plans to expand iron ore production from the current rate of 20 Mtpa to 90Mtpa within 5 years.

MIN is planning the development of the Ashburton Hub, with initial capacity of 30 Mtpa, and initial production planned to be sourced from the Bungaroo South and Kumina iron ore deposits. MIN is awaiting WA Government approvals in order to advance to construction of the project. Subject to approvals, MIN expect to begin production from the Ashburton Hub in FY23.

MIN is planning the development of the South West Creek Hub. MIN have applied for the rights to develop the South West Creek Berth (in Port Hedland), and for an allocation of port channel capacity. Approvals for MIN's proposed berth rights and channel allocation, and competing proposals, are outstanding and not guaranteed. MIN's ultimate production will be channel capacity allocation dependant, with production of up to 50 Mtpa possible. Initially we expect production to be sourced from the Marilina and Ophthalmia deposits, which MIN owns in joint venture with Brockman Mining Ltd (BCK.ASX, not covered).

Investments and exploration activities

MIN has made investments in a number of listed entities, joint ventures and exploration projects. Notable investments include:

- Interests in the Western Pilbara Iron Ore Project (WPIOP).
- Perth Basin gas exploration.

In mid CY21 MIN announced it acquired interests in the WPIOP through the acquisition of a 15% interest in Aquila Resources Pty Ltd, and a 40% interest in the Red Hill iron Ore JV (RHIOJV). Collectively, the WPIOP includes a large Iron Ore Mineral resource 2,700 Mt at 56% Fe. The WPIOP is favourably located for export from MIN's planned Ashburton Hub. Previously, WPIOP was planned to be exported from an alternate port (the previously proposed Anketell Port), and the project is large enough to support a standalone port. MIN is well positioned to benefit from the potential future development of the WPIOP, through the provision of services and through expanding its commodities business.

Through investments in its subsidiary Energy Resources Limited (ERL) and listed company Norwest Energy NL (NWE.ASX, not covered), MIN is investing in gas exploration in WA. MIN's strategy is to secure long-term supply of cleaner energy to sources, so as to transition away from the use of diesel in its operations. Through ERL, MIN is the largest petroleum holder in the Perth Basin and the Northern Carnarvon Basin, holding a combined acreage position of 13,629 km^2.

In September 2021, MIN and NWE announced that they had made a significant gas discovery at the Lockyer Deep-1 exploration well, in the northern section of the Perth

Basin, and that the well was being completed for production testing. While a potential MIN energy business is in its infancy, the early success is a positive indicator, and future news flow could include more detail on exploration plans, development timelines and commercialisation pathways.

Risks of investment

Risks to MIN include, but are not limited to:

- **Operating and development risks:** Mining companies' assets are subject to risks associated with their operation and development. Risks for each company can be heightened depending on method of operation (e.g. underground versus open pit mining) or whether it is a single mine company. Development of mining assets may be subject to receiving permits, approvals timelines or weather events, causing delays to commissioning and commercial production.
- **COVID-19 risks:** Mining companies' rely on freedom of movement of workforces, functioning transport routes, reliable logistics services including road, rail, aviation and ports in order to maintain operations and get their products to market. They also rely on liquid, functioning markets to sell their products. Measures being put in place to combat the COVID-19 pandemic are posing risks to these conditions.
- **Operating and capital cost fluctuations:** The cost and availability of exploration, development and mining inputs can fluctuate widely and cause significant differences between planned and actual operating and capital costs. Key operating costs are linked to energy and labour costs as well as access to, and availability of, technical skills, operating equipment and consumables.
- **Commodity price and exchange rate fluctuations:** The future earnings and valuations of exploration, development and producing Resources companies are subject to fluctuations in underlying commodity prices and foreign currency exchange rates.
- **Funding and capital management risks:** Funding and capital management risks can include access to debt and equity finance, maintaining covenants on debt finance, managing dividend payments and managing debt repayments. Exploration and development companies with no sales revenues are reliant on access to equity markets and debt financing to fund the advancement and development of their projects.
- **Resource growth and mine life extensions:** The viability of future operations and the earnings forecasts and valuations reliant upon them may depend upon resource and reserve growth to extend mine lives, which is in turn dependent upon exploration success, of which there are no guarantees.
- **Regulatory changes risks:** Changes to the regulation of infrastructure and taxation (among other things) can impact the earnings and valuation of mining companies.
- **Sovereign risks:** Mining companies' assets are subject to the sovereign risks of the jurisdiction within which they are operating.
- **Corporate/M&A risks:** Risks associated with M&A activity including differences between the entity's and the market's perception of value associated with completed transactions.

Mineral Resources Ltd
as at 8 November 2021

Recommendation	Buy
Price	$37.88
Target (12 months)	$50.45

Table 4 - Financial summary

PROFIT AND LOSS

Year ending June	Unit	2020a	2021a	2022e	2023e	2024e
Revenue	$m	2,133.4	3,978.9	3,455.7	3,795.0	3,028.1
Expense	$m	(1,247.8)	(1,706.9)	(2,510.1)	(2,727.2)	(2,189.5)
EBITDA	**$m**	**885.6**	**2,272.0**	**945.6**	**1,067.8**	**838.6**
Depreciation	$m	(193.6)	(258.0)	(320.4)	(319.4)	(226.8)
EBIT	$m	692.0	2,014.0	625.2	748.4	611.8
Net interest expense	$m	(79.8)	(73.6)	(67.9)	(67.9)	(66.7)
Unrealised gains (Impairments)	$m	-	-	-	-	-
Other	$m	825.7	(144.9)	-	-	-
PBT	**$m**	**1,436.2**	**1,792.7**	**557.2**	**680.5**	**545.1**
Tax expense	$m	(434.0)	(525.0)	(179.5)	(216.8)	(176.4)
NPAT (reported)	**$m**	**1,002.2**	**1,267.7**	**377.8**	**463.7**	**368.6**
NPAT (underlying)	$m	290.0	1,128.5	377.8	463.7	368.6

CASH FLOW

Year ending June	Unit	2020a	2021a	2022e	2023e	2024e
OPERATING CASHFLOW						
Receipts	$m	2,189.2	3,689.7	3,433.4	3,815.8	3,147.6
Payments	$m	(1,394.7)	(1,719.6)	(2,433.8)	(2,704.3)	(2,417.7)
Tax	$m	(116.6)	(584.3)	(273.5)	(241.2)	(203.0)
Net interest	$m	(83.3)	(76.4)	(67.9)	(67.9)	(66.7)
Other	$m	-	-	-	-	-
Operating cash flow	$m	**594.6**	**1,309.4**	**658.2**	**802.5**	**460.2**
INVESTING CASHFLOW						
Property, plant and equipment	$m	(190.9)	(505.7)	(365.0)	(257.0)	(198.6)
Mine development	$m	(105.3)	(174.7)	(257.0)	(74.5)	(18.8)
Exploration & evaluation	$m	(52.3)	(51.4)	(28.0)	(30.0)	(30.0)
Other	$m	1,192.6	(84.2)	-	-	-
Investing cash flow	$m	**844.1**	**(816.0)**	**(650.0)**	**(361.5)**	**(247.4)**
Free Cash Flow	$m	**1,438.7**	**493.4**	**8.2**	**441.0**	**212.8**
FINANCING CASHFLOW						
Share issues/(buy-backs)	$m	-	(20.2)	-	-	-
Debt proceeds	$m	11.6	31.9	-	-	-
Debt repayments	$m	(11.5)	(12.8)	-	-	-
Dividends	$m	(96.1)	(324.6)	(330.5)	(175.6)	(215.9)
Other	$m	(64.0)	(109.8)	-	-	-
Financing cash flow	$m	**(160.0)**	**(435.5)**	**(330.5)**	**(175.6)**	**(215.9)**
Change in cash	$m	1,278.7	57.9	(322.3)	265.4	(3.1)

BALANCE SHEET

Year ending June	Unit	2020a	2021a	2022e	2023e	2024e
ASSETS						
Cash & short term investments	$m	1,521.8	1,542.1	1,219.8	1,485.2	1,482.1
Accounts receivable	$m	177.5	331.3	353.6	332.8	213.3
Property, plant & equipment	$m	1,365.9	1,824.6	2,009.7	2,039.6	2,056.1
Mine development expenditure	$m	632.0	848.4	915.3	924.0	925.6
Exploration & evaluation	$m	-	-	77.6	81.1	83.6
Other	$m	933.7	1,306.5	1,306.5	1,306.5	1,306.5
Total assets	$m	**4,630.9**	**5,852.9**	**5,882.5**	**6,169.1**	**6,067.2**
LIABILITIES						
Accounts payable	$m	319.1	581.8	658.1	681.1	452.9
Income tax payable	$m	415.9	166.7	72.7	48.2	21.7
Borrowings	$m	1,290.7	1,261.9	958.9	958.9	958.9
Other	$m	309.6	596.4	899.4	899.4	899.4
Total liabilities	$m	**2,335.3**	**2,606.8**	**2,589.1**	**2,587.6**	**2,332.9**
SHAREHOLDER'S EQUITY						
Share capital	$m	516.3	514.5	514.5	514.5	514.5
Reserves	$m	10.1	15.7	15.7	15.7	15.7
Retained earnings	$m	1,738.4	2,673.3	2,720.6	3,008.7	3,161.5
Total equity	$m	**2,295.6**	**3,246.1**	**3,293.4**	**3,581.5**	**3,734.3**
Weighted average shares	m	188.2	188.4	188.7	188.9	188.9

CAPITAL STRUCTURE

Shares on issue	m		188.9
Total shares on issue	**m**		**188.9**
Share price	**$/sh**		**37.880**
Market capitalisation	$m		7,153.6
Net cash	$m		231.7
Enterprise value (undiluted)	**$m**		**6,921.9**
Options outstanding (m)	m	(price $0.00 per share)	0.0
Options (in the money)	m		0.0
Issued shares (diluted for options)	m		188.9
Market capitalisation (diluted)	m		7,153.6
Net cash + options	$m		231.7
Enterprise value (diluted)	**$m**		**6,921.9**

FINANCIAL RATIOS

Year ending June	Unit	2020a	2021a	2022e	2023e	2024e
VALUATION						
NPAT	$m	1,002.2	1,267.7	377.8	463.7	368.6
Reported EPS	c/sh	531.8	671.6	200.0	245.6	195.2
Adjusted EPS	c/sh	153.6	597.6	200.0	245.6	195.2
EPS growth	%	507%	26%	-70%	23%	-21%
PER	x	7.1x	5.6x	18.9x	15.4x	19.4x
DPS	c/sh	-	275.0	32.0	116.8	58.5
Franking	%	100%	100%	100%	100%	100%
Yield	%	0.0%	7.3%	0.8%	3.1%	1.5%
FCF/share	c/sh	-	261.3	4.3	233.5	112.7
P/FCFPS	x	0.0x	14.5x	874.2x	16.2x	33.6x
EV/EBITDA	x	7.8x	3.0x	7.3x	6.5x	8.3x
EBITDA margin	%	42%	63%	27%	28%	28%
EBIT margin	%	33%	56%	18%	20%	20%
Return on assets	%	22%	22%	6%	8%	6%
Return on equity	%	44%	39%	11%	13%	10%
LIQUIDITY & LEVERAGE						
Net debt (cash)	$m	(1,522)	(1,542)	(261)	(526)	(523)
ND / E	%	-66%	-48%	-8%	-15%	-14%
ND / (ND + E)	%	-197%	-90%	-9%	-17%	-16%
EBITDA / Interest	x	9.1x	26.3x	12.5x	14.0x	11.0x

ASSUMPTIONS - Prices

Year ending (avg)	Unit	2020a	2021a	2022e	2023e	2024e
Iron ore fines @ 62% Fe CFR	US$/t	94	155	118	100	95
Spodumene concentrate (6%)	US$/t	486	472	853	854	901
Lithium Hydroxide Monohydrate	US$/t	11,236	10,510	16,663	16,813	17,764
Spot freight (Aust-China)	US$/t	7.9	8	11	12	12
AUD:USD	A$/US$	0.67	0.75	0.74	0.73	0.73

ASSUMPTIONS - Production

Year ending June	Unit	2020a	2021a	2022e	2023e	2024e
Iron Ore Production	Mt	14.1	17.3	21.7	21.0	15.5
Lirhium Spodumene Production	Kt	203.5	250.3	226.6	226.6	226.6
Lithium Hydroxide	kt	-	-	5.0	20.0	20.0

VALUATION

Ordinary shares (m)		188.9		188.9		188.9
Options in the money (m)		-		-		-
Diluted (m)		188.9		188.9		188.9
	current		+12 months		+24 months	
Sum-of-the-parts	**$m**	**$/sh**	**$m**	**$/sh**	**$m**	**$/sh**
Services	2,226	11.79	2,001	10.59	1,850	9.80
Commodities	1,206	6.38	1,430	7.57	1,351	7.15
Corporate and central	(900)	-4.76	(866)	-4.59	(847)	-4.48
Project - Wodgina	1,040	5.51	1,144	6.06	1,215	6.43
Project - Ashburton	3,703	19.61	4,073	21.57	5,419	28.69
Project - South West Creek	511	2.71	562	2.98	619	3.28
Project - Lithium Hydroxide Plant	151	0.80	167	0.88	327	1.73
Investments	491	2.60	491	2.60	491	2.60
Subtotal	8,428	44.63	9,000	47.66	10,425	55.20
Net cash (debt)	261	1.38	526	2.79	523	2.77
Total (undiluted)	**8,689**	**46.01**	**9,527**	**50.45**	**10,948**	**57.97**
Add options in the money (m)	-	-	-	-	-	-
Add cash	-	-	-	-	-	-
Total (diluted)	**8,688.9**	**46.01**	**9,526.7**	**50.45**	**10,948.5**	**57.97**

MAJOR SHAREHOLDERS

Shareholder	%	m
Christopher Ellison	11.8	22.2
Fidelity International Ltd	7.2	13.5
Magellan Asset Management Limited	5.5	10.3
Challanger Limited	5.0	9.4
Greencape Capital Pty Ltd	5.0	9.4

SOURCE: BELL POTTER SECURITIES ESTIMATES

Recommendation structure

Buy: Expect >15% total return on a 12 month view. For stocks regarded as 'Speculative' a return of >30% is expected.

Hold: Expect total return between -5% and 15% on a 12 month view

Sell: Expect <-5% total return on a 12 month view

Speculative Investments are either start-up enterprises with nil or only prospective operations or recently commenced operations with only forecast cash flows, or companies that have commenced operations or have been in operation for some time but have only forecast cash flows and/or a stressed balance sheet.

Such investments may carry an exceptionally high level of capital risk and volatility of returns.

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