

## Analyst

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## Authorisation

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# Mineral Resources Ltd (MIN)

## The year of the white rocks

### Recommendation

**Buy** (unchanged)

### Price

**\$46.82**

### Target (12 months)

**\$75.00** (previously \$70.00)

### GICS Sector

Materials

### Expected Return

Capital growth	<b>60.2%</b>
Dividend yield	<b>1.0%</b>
Total expected return	<b>61.2%</b>

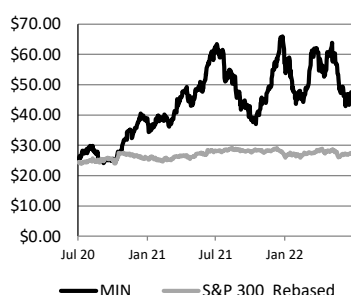
### Company Data & Ratios

Enterprise value	<b>\$9,213m</b>
Market cap	<b>\$8,868m</b>
Issued capital	<b>\$189.4m</b>
Free float	<b>78%</b>
Avg. daily val. (52wk)	<b>\$84.3m</b>
12 month price range	<b>\$36.95 to \$66.88</b>

### Price Performance

	(1m)	(3m)	(12m)
Price (A\$)	48.31	62.03	59.27
Absolute (%)	-3.1	-24.5	-21.0
Rel market (%)	-7.1	-23.3	-18.5

### Absolute Price



SOURCE: IRESS

## Lithium product sales forecast to jump in FY23

MIN guided sales of ~225kt of lithium spodumene concentrates for FY22. In FY23, we forecast increased sales of spodumene concentrates (580kt, up 160%), and first significant sales of lithium hydroxide (~43kt). Production of lithium products is forecast to increase throughout FY23 and FY24. Growth is to come from plant expansions, reopening mines, lithium hydroxide conversion via toll-treating, and first sales of lithium hydroxide from JV owned conversion capacity in Western Australia. This growth in lithium product sales is delivered into a strong demand environment, and supportive product prices. So far in CY22, the spot 6% Li<sub>2</sub>O spodumene price is up 190%, and the spot battery grade lithium hydroxide prices is up 130%.

## MIN's lithium business to step out of the shadows

We forecast strong EBITDA growth for MIN in FY23 (>200% to \$2.3 billion, from FY22e: \$750m). This strong EBITDA growth is primarily a function of the growth of lithium product sales, and relatively high forecast lithium product prices. In FY21 and FY22, MIN's share price was particularly sensitive to the performance of the iron ore business, and iron ore prices. Through FY23 and FY24, we anticipate that MIN's share price will be increasingly supported by the lithium business, and the electrification thematic.

## Investment thesis: Buy, TP\$75.00/sh (from TP\$70.00/sh)

MIN owns a growing portfolio of mining services and commodities businesses. Within commodities, we forecast the lithium business will start yielding significant returns from FY23. In Iron Ore, MIN is set to begin transitioning the business to a more competitive cost base with the Ashburton Project. Longer term, the embryonic Energy business has the potential to further broaden the earnings base, while providing lower carbon intensity energy security, and another service offering. EPS changes in this report include: FY22 -34%; FY23 +22%; and FY24 +95%, driven by extensive changes to our model, and updates to our commodities price forecasts.

### Earnings Forecast

Year end June 30	2021a	2022e	2023e	2024e
Sales (A\$m)	3,733.6	3,318.0	6,291.1	6,935.1
EBITDA (A\$m)	1,907.8	747.8	2,357.6	2,599.5
NPAT (reported) (A\$m)	1,267.7	386.4	1,268.7	1,402.8
NPAT (adjusted) (A\$m)	1,107.6	241.3	1,268.7	1,402.8
EPS (adjusted) (¢ps)	586.5	127.4	669.9	740.7
EPS growth (%)	26.1	(69.6)	228.3	10.6
PER (x)	8.0	23.7	7.0	6.3
FCF Yield (%)	4.9	(4.0)	(5.1)	4.6
EV/EBITDA (x)	4.3	9.6	3.9	3.5
Dividend (¢ps)	171.9	48.4	167.5	185.2
Yield (%)	3.2	1.0	3.6	4.0
Franking (%)	na	na	na	na
ROE (%)	39.1	11.7	29.2	26.1

SOURCE: BELL POTTER SECURITIES ESTIMATES

# The year of the white rocks

## Lithium product sales forecast to jump in FY23

For FY22 MIN guided sales of 225-237.5kt of lithium spodumene concentrates. In FY23, we are forecasting increased sales of lithium spodumene concentrates (~580kt, up 160%), and first significant sales of lithium hydroxide (~43kt). MIN's production of lithium products is forecast to increase throughout FY23. Increased production is forecast to be source from:

- **Mount Marion Spodumene Concentrate:** In April 2022, MIN announced the expansion of processing capacity at Mount Marion (to 900ktpa of mixed grade concentrates, 100% basis), completion due by the end of CY22. MIN's share of FY23 forecast production is 375kt of 4% Li<sub>2</sub>O spodumene concentrate.
- **Mount Marion Lithium Hydroxide:** In February 2022, MIN announced that it had taken possession of its spodumene concentrate from its offtake partner Jiangxi Ganfeng Lithium Co.Ltd (Ganfeng, not covered). At that time MIN announced an initial seven-month toll treating agreement, with an option to extend, to convert spodumene concentrate to lithium hydroxide. We forecast FY23 production of 35.7kt of lithium hydroxide (assuming ongoing toll treatment).
- **Wodgina Spodumene Concentrate:** In October 2021, MIN announced that it and Albemarle Corporation (NYSE: ALB, not covered) would restart the Wodgina Lithium Mine in Western Australia (which had been on care and maintenance since November 2019, due to cyclic low in lithium product prices). We forecast that Wodgina will continue to ramp up production throughout FY23, and that MIN's share (40%) of production will be 207.5kt of 6% Li<sub>2</sub>O spodumene concentrate.
- **Kemerton Lithium Hydroxide Plant:** At Kemerton, MIN announced that first sales from Train 1 (25ktpa capacity, 100 basis, per train) are expected in December 2022. We forecast first sales from Train 2 in the June quarter 2023. Accordingly, we forecast MIN's share of FY23 production will be 7.5ktpa lithium hydroxide, before achieving nameplate production in FY24 (MIN's share 20ktpa).

This growth in lithium product sales (spodumene concentrate: +160% to 580kt, lithium hydroxide: commencing at ~43kt) is delivered into a strong demand environment, and supportive product prices. So far, in CY22 spot 6% Li<sub>2</sub>O spodumene concentrate prices have appreciated from US\$2,300/t to US\$6,625/t (+190%), and spot battery grade lithium hydroxide prices have appreciated from US\$33,000 to US\$75,000/t (+130%), (source: fastmarkets, MB-LI-0012 and MB-LI-0033 respectively).

## MIN's lithium business to step out of the shadows

We forecast strong EBITDA growth for MIN in FY23 (>200% to \$2.3 billion, from FY22e: \$750m). This strong EBITDA growth is primarily a function of the growth of lithium product sales, and the relatively high forecast lithium product prices. Forecast FY22 EBITDA was impacted by significant declines in Iron Ore prices in 1HFY22.

We anticipate the growing performance of MIN's lithium business will progressively be recognised through FY23, first through guidance provided with FY22 results, and subsequently evidenced through ongoing periodic reporting.

During FY21 and FY22, MIN's share price was supported by, and sensitive to the performance of the iron ore business, and iron ore prices. We anticipate that through FY23 and FY24, MIN's share price will be increasingly supported by the lithium business, and the demand for electric vehicles, and the electrification thematic generally. And MIN will be increasingly recognised as a leading Australian lithium business.

## Changes to our forecasts and valuation

With this update we have made significant changes to our forecasts and valuation, including:

- The construction of a new valuation model, changing the way we model intersegment allocations, and updating for our latest commodity price forecasts.
- Updating for MIN's current capital structure (including incorporating the senior unsecured bonds issued in May 2022) and rolling our model forward.
- Updating our production scenarios for Kemerton Lithium Hydroxide Plant, Mount Marion Lithium Hydroxide, Ashburton Iron Ore Hub and the Pilbara Iron ore Hub.
- Including the Ashburton Iron Ore Hub and Mount Marion in our estimated financial statements.

The net impact of these changes are summarised in the forecast changes table below.

**Table 1 - Changes to our forecasts**

Year ending 30 June	Previous			New			Change		
	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
<b>Prices &amp; currency</b>									
Iron ore fines@62%FeCFR	132	110	95	138	105	93	4%	-5%	-3%
Spodumene concentrate(6%)	2,317	2,750	2,000	3,170	4,750	2,178	37%	73%	9%
Lithium Hydroxide Monohydrate	37,303	47,000	38,000	43,717	54,250	38,950	17%	15%	3%
Spot freight (Aust-China)	10.86	12.00	12.00	11.2	12.0	12.0	3%	0%	0%
AUD:USD	0.74	0.73	0.73	0.73	0.70	0.70	-1%	-5%	-4%
<b>Equity production</b>									
Iron Ore (Mt)	19	19	16	19	18	20	3%	-3%	31%
Spodumene Concentrate(kt)	237	449	449	226	375	450	-5%	-17%	0%
Lithium Hydroxide(kt)	5	20	20	1.8	35.7	42.9	-65%	79%	114%
<b>Earnings</b>									
Revenue (\$m)	3,603	5,038	3,848	3,318	6,291	6,935	-8%	25%	80%
EBITDA (\$m)	1,117	1,925	1,369	748	2,358	2,600	-33%	22%	90%
NPAT (adjusted) (\$m)	585	1,043	721	386	1,269	1,403	-34%	22%	95%
EPS (adjusted) (cps)	309.3	551.4	381.1	127.4	669.9	740.7	-59%	21%	94%
PER (x)	19.6	11.0	15.9	23.7	7.0	6.3	21%	-37%	-60%
DPS (reported) (cps)	40.9	96.0	147.3	48.4	167.5	185.2	18%	74%	26%
Yield(%)	0.67	1.58	2.43	1.00	3.58	3.95	49%	126%	63%
<b>Price Target (A\$/sh)</b>		70.00			80.00			14%	

## Upcoming catalysts

Upcoming catalysts include:

- MIN's share price is sensitive to both iron ore price and lithium product prices: Ongoing volatility impacting these prices, and price realisation can have significant effects on MIN's share price. Ongoing COVID related supply chain issues can have significant cost impacts.
- Announcements relating to development iron ore projects: joint venture agreements, Government approvals and investment decisions are important catalysts for MIN. For the Ashburton Iron Ore Project, MIN has announced it's aiming for first product sales at by the March quarter CY24. Announcements relating to joint venture terms, and final investment decisions are expected in mid CY22.
- 100% conversion of spodumene concentrates to lithium hydroxide: Announcements relating to agreements, and capital costs, relating to further expansions of MIN's downstream lithium business are likely to have positive impacts on valuation.
- Energy group: exploration drilling of at least six wells in the Perth Basin is planned in the next two-years, in addition to the two exploration wells planned in the Carnarvon basin, in JV with Buru Energy.

# Valuation

Our valuation for MIN is based upon the 12-month forward NPV of our forecast attributable free cash flows for the services, iron ore and lithium businesses. This is included in a sum-of-the-parts valuation for the company which also includes a valuation for MIN's development projects and listed investments. We also include a discounted cash flow estimate of corporate costs, adjust for our estimate of MIN's net cash position, and dilute our valuation for in-the-money options.

Our latest valuation is summarised in the table below.

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

Ordinary shares (m)		189.4
Options in the money (m)		0
Diluted (m)		189.4
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<b>Sum-of-the-parts</b>	<b>\$m</b>	<b>\$/sh</b>
Services	5,297	27.96
Commodities (Iron Ore and Lithium)	6,418	33.89
Corporate	-644	(3.40)
Investments & Energy	767	4.05
Project – Pilbara Iron Ore Hub (risk-adjusted)	1,196	6.32
Project – Lithium Hydroxide Plant (risk-adjusted)	2,201	11.62
<b>Subtotal</b>	<b>15,235</b>	<b>80.44</b>
Net Cash (debt)	-1,019	(5.38)
<b>Total (undiluted)</b>	<b>14,216</b>	<b>75.06</b>
Add options in the money (m)	-	-
Add cash	-	-
<b>Total (diluted)</b>	<b>14,216</b>	<b>75.06</b>

SOURCE: BELL POTTER SECURITIES ESTIMATES

With this update we increase our valuation by 7% to \$75/sh. Our increased valuation is a function of significant changes to our model and increased commodity produces.

The table below lists a breakdown of our forecast EBITDA by service / product. For FY23 year-on-year EBITDA growth is >200% of our forecast FY22 estimate (\$747.8m).

**Table 3 - Forecast EBITDA Breakdown**

Item	Unit	FY23e	FY24e	FY25e
Mining Services	A\$m	511	708	923
Iron Ore	A\$m	(258)	(183)	433
Lithium Spodumne 4% Li <sub>2</sub> O (average)	A\$m	574	330	181
Lithium Spodumne 6% Li <sub>2</sub> O	A\$m	555	578	409
Lithium Hydroxide – Battery Grade	A\$m	1,071	1,199	741
Corporate	A\$m	(96)	(98)	(100)
<b>Total</b>	<b>A\$m</b>	<b>2,358</b>	<b>2,534</b>	<b>2,587</b>
YoY Growth	%	215	7	2

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

The table overleaf lists a breakdown of our forecast production by operation and product. Significant growth in EBITDA is a result of growth in lithium spodumene concentrates (Mount Marion and Wodgina) and lithium hydroxide (Kemerton and Mount Marion toll treating).

**Table 4 - Forecast production breakdown - attributable**

Item	Unit	FY21a	FY22e	FY23e	FY24e	FY25e
Iron Ore - Utah Point Hub	Mt	6.8	10.5	10.0	10.0	10.0
Iron Ore - Yilgarn Hub	Mt	10.5	8.6	8.0	8.0	6.0
Iron Ore - Ashburton Project	Mt	-	-	-	2.3	12.8
<b>Total Iron Ore</b>	<b>Mt</b>	<b>17.3</b>	<b>19.0</b>	<b>18.0</b>	<b>20.3</b>	<b>28.8</b>
Lithium Spodumene - Mount Marion - 4% Li <sub>2</sub> O (average)	kt	243.0	225.5	375.0	450.0	450.0
Lithium Spodumene - Wodgina - 6% Li <sub>2</sub> O	kt	-	-	207.5	300.0	300.0
<b>Total Spodumene</b>	<b>kt</b>	<b>243.0</b>	<b>225.5</b>	<b>582.5</b>	<b>750.0</b>	<b>750.0</b>
Lithium Hydroxide - Kemerton	kt	-	-	7.5	20.0	20.0
Lithium Hydroxide - Mount Marion	kt	-	1.8	35.7	42.9	42.9
Lithium Hydroxide - Wodgina	kt	-	-	-	-	-
<b>Total Lithium Hydroxide</b>	<b>kt</b>	<b>-</b>	<b>1.8</b>	<b>43.2</b>	<b>62.9</b>	<b>62.9</b>

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

The table below lists a breakdown of forecast revenue by service / product.

**Table 5 - Forecast Revenue Breakdown**

Item	Unit	FY23e	FY24e	FY25e
Mining Services	A\$m	1,893	2,316	3,015
Iron Ore	A\$m	1,559	1,945	3,708
Lithium Spodumne 4% Li <sub>2</sub> O (average)	A\$m	871	664	510
Lithium Spodumne 6% Li <sub>2</sub> O	A\$m	683	754	579
Lithium Hydroxide - Battery Grade	A\$m	2,580	2,809	2,158
Intersegment Eliminator	A\$m	(1,296)	(1,553)	(1,950)
Total	A\$m	6,291	6,935	8,020
YoY Growth	%	90	10	16

SOURCE: COMPANY DATA AND BELL POTTER SECURITIES ESTIMATES

## Details yet to be finalised / announced

Several projects have outstanding details to be finalised and announced, including:

- Targeting 100% conversion of spodumene concentrate to lithium hydroxide in 4 years: A key goal is the conversion of 100% of MIN's spodumene concentrates to lithium hydroxide (an input to the lithium battery production process). Details are yet to be finalised and announced.
- Finalisation of expanded MARBL Lithium JV: MIN has announced intensions to expand its MARBL Lithium JV with Albemarle Corporation (NYSE: ALB, not covered). Finalisation of the changes are yet to be announced. Key changes contemplated include the ownership of the Wodgina mine changing from 60:40 (ALB:MIN) to 50:50, and addition of a new 50:50 JV to own additional conversion assets (for which MIN would contribute its share of capital costs).
- Long-term Mount Marion Hydroxide Conversion: In February 2022, MIN executed a toll-treating agreement with Mount Marion JV participant Jiangxi Ganfeng Lithium Co.Ltd (Genfeng, not covered). The agreement extended with to August 2022, with an option to extend. The long-term solution for conversion of this material is yet to be announced.
- Ashburton Iron Ore Hub, approvals, final terms and FID: Development of the Ashburton Hub remains subject to: receiving all necessary Government approvals, final JV negotiations, and final investment decisions by the other JV participants. Final details of all necessary approvals, and agreements are yet to be announced, and are necessary for full project development.
- Pilbara Iron Ore Hub: MIN and Hancock Prospecting Pty Ltd (Hancock) have announced an agreement to jointly investigate the development of new iron ore export capacity at Stanley Point Berth 3, at the Port of Port Hedland in WA. Government approvals and agreements between the JV participants are yet to be finalised. If the project is developed MRL is aiming to ship at least 20Mtpa (we model first production from mid CY27) of iron ore per annum, from its Marillana and Ophthalmia deposits (MIN 50%).

## Items not valued

Several opportunities are not currently included in our sum-of-the-parts valuation for MIN including:

- Increase in ownership of Wodgina to 50%: MIN has announced it is negotiation to increase its ownership in the Wodgina Lithium Mine to 50% (from 40%). We currently model MIN ownership of 40%, pending announcement of conclusion of negotiations.
- Wodgina Spodumene Expansion: MIN has announced it (and JV participant, ALB) would evaluate the expansion of the Wodgina Lithium Mine by 25% (or 250ktpa of spodumene concentrates). Presently, we don't ascribe any value to this option.
- Yilgarn Hub Magnetite Project: MIN has announced that it is studying (including exploration and Resource drilling) the possibility of transforming the Yilgarn Iron Ore Hub from a hematite operation to a magnetite operation.
- Energy: Outside of MIN's initial exploration success at the Lockyer Deep 1, and its listed investments, we don't ascribe additional value to its other exploration assets.

# Mineral Resources Ltd (MIN)

## Company description

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. MIN's services business encompasses: construction, mining, crushing, processing and haulage, as well as a range of other services. MIN operates two Iron Ore export businesses in WA, the Yilgarn Hub, and the Utah Point Hub, with combined capacity of ~20Mtpa. MIN holds direct interests in two lithium mines (Mount Marion and Wodgina, and a lithium hydroxide processing plant (Kemerton) in WA. Increasing, MIN's lithium business has become the focus of expansion efforts, in response to surging demand and prices for lithium products. MIN is advancing a number of Iron Ore development projects in WA, including the 30Mtpa Ashburton and the 20Mtpa Stanley Point Berth 3. MIN is exploring for natural gas in the Perth and Carnarvon Basin's, and reported initial success at the Lockyer Deep 1 Well. MIN has a portfolio of investments and exploration assets in WA.

## Investment thesis: Buy, TP\$75.00/sh (previously TP\$70.00/sh)

MIN owns a growing portfolio of mining services and commodities businesses. Within commodities, we forecast the lithium business will start yielding significant returns from FY23. In Iron Ore, MIN is set to begin transitioning the business to a more competitive cost base with the Ashburton Project. Longer term, the embryonic Energy business has the potential to further broaden the earnings base, while providing lower carbon intensity energy security, and another service offering. EPS changes in this report include: FY22 - 34%; FY23 +22%; and FY24 +95%, driven by extensive changes resulting from our model rebuild, and updates to our commodities price forecasts.

# Risks of investment

Risks 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.
- **Geopolitical risks:** Mining companies' assets are subject to geopolitical risks, arising from events in, and outside, the jurisdictions they operate in.
- **Corporate/M&A risks:** Risks associated with M&A activity including differences between the entities and the market's perception of value associated with completed transactions.



### Table 6 - Financial summary

PROFIT AND LOSS						FINANCIAL RATIOS							
Year ending June	Unit	2020a	2021a	2022e	2023e	2024e	Year ending June	Unit	2020a	2021a	2022e	2023e	2024e
Revenue	\$m	2,124.7	3,733.6	3,318.0	6,291.1	6,935.1	<b>VALUATION</b>						
Expense	\$m	(1,378.1)	(1,825.8)	(2,570.2)	(3,933.5)	(4,335.6)	NPAT	\$m	1,002.2	1,267.7	386.4	1,268.7	1,402.8
<b>EBITDA</b>	<b>\$m</b>	<b>746.6</b>	<b>1,907.8</b>	<b>747.8</b>	<b>2,357.6</b>	<b>2,599.5</b>	Reported EPS	c/sh	532.2	671.3	204.0	669.9	740.7
Depreciation	\$m	(193.6)	(258.0)	(322.4)	(343.2)	(383.2)	Adjusted EPS	c/sh	170.2	586.5	127.4	669.9	740.7
<b>EBIT</b>	<b>\$m</b>	<b>553.0</b>	<b>1,649.8</b>	<b>425.3</b>	<b>2,014.3</b>	<b>2,216.4</b>	EPS growth	%	506.5	26.1	69.6	228.3	10.6
Net interest expense	\$m	(104.9)	(95.8)	(89.0)	(225.5)	(228.6)	PER	x	4.0x	8.0x	23.7x	7.0x	6.3x
Unrealised gains (Impairments)	\$m	(285.8)	(46.5)	-	-	-	DPS	c/sh	51.0	171.9	48.4	167.5	185.2
Other	\$m	1,273.9	285.2	215.0	23.7	16.3	Franking	%	100.00	100.00	100.00	100.00	100.00
<b>PBT</b>	<b>\$m</b>	<b>1,436.2</b>	<b>1,792.7</b>	<b>551.3</b>	<b>1,812.5</b>	<b>2,004.1</b>	Yield	%	2.41	3.20	1.00	3.58	3.95
Tax expense	\$m	(434.0)	(525.0)	(164.9)	(543.7)	(601.2)	FCF/share	c/sh	765.6	282.0	194.6	237.7	215.6
<b>NPAT (reported)</b>	<b>\$m</b>	<b>1,002.2</b>	<b>1,267.7</b>	<b>386.4</b>	<b>1,268.7</b>	<b>1,402.8</b>	P/FCFPS	x	2.8x	20.5x	-24.8x	-19.7x	21.7x
NPAT (underlying)	\$m	320.6	1,107.6	241.3	1,268.7	1,402.8	EV/EBITDA	x	5.4x	4.3x	9.6x	3.9x	3.5x
							EBITDA margin	%	81.2	58.9	28.9	37.5	37.5
							EBIT margin	%	72.1	51.8	19.2	32.0	32.0
							Return on assets	%	21.6	21.7	5.1	14.1	13.9
							Return on equity	%	43.7	39.1	11.7	29.2	26.1
							<b>LIQUIDITY &amp; LEVERAGE</b>						
							Net debt (cash)	\$m	- 231.1	- 280.2	345.2	1,018.8	978.5
							ND / E	%	- 10.1	- 8.6	10.5	23.5	18.2
							ND / (ND + E)	%	- 10.1	- 8.7	10.4	23.3	18.1
							EBITDA / Interest	x	18.3	25.6	10.7	10.5	11.4
							<b>ASSUMPTIONS - Prices</b>						
							Year ending June - average	Unit	2020a	2021a	2022e	2023e	2024e
							AUD/USD	A\$/US\$	0.67	0.75	0.73	0.70	0.70
							Iron ore fines @ 62% Fe, CFR	\$/dmt	94	155	138	105	93
							Spodumene concentrate (6% basis, CFR)	\$/dmt	519	478	3,170	4,750	2,178
							Lithium Hydroxide (battery grade, CFR)	\$/dmt	11,236	10,510	43,717	54,250	38,950
							<b>ASSUMPTIONS - Production</b>						
							Year ending June	Unit	2020a	2021a	2022e	2023e	2024e
							Mining Services - Contract Tonnes	Mt	212	249	272	262	296
							Iron Ore Shipments	Mt	14	17	19	18	20
							Spodumene concentrate (4% average)	kt	197	243	226	375	450
							Spodumene concentrate (6% average)	kt	-	-	-	208	300
							Lithium Hydroxide (battery grade)	kt	-	-	2	43	63
							<b>VALUATION</b>						
							Ordinary shares (m)		189.4		189.4		189.4
							Options in the money (m)		-	-	-	-	-
							Diluted (m)		189.4		189.4		189.4
								current	+12 months	+24 months			
							Sum-of-the-parts	\$m	\$/sh	\$m	\$/sh	\$m	\$/sh
							Mining Services	5,014	26.5	5,297	28.0	5,375	28.4
							Commodities	6,176	32.6	6,418	33.9	6,625	35.0
							Corporate	(646)	(3.4)	(644)	(3.4)	(640)	(3.4)
							Investments & Energy	767	4.0	767	4.0	767	4.0
							Project - Pilbara Iron Ore	1,147	6.1	1,196	6.3	1,249	6.6
							Project - Lithium Hydroxide Conversion	2,075	11.0	2,201	11.6	2,336	12.3
							Subtotal	14,533	76.7	15,235	80.4	15,712	83.0
							Net Cash (debt)	(345)	(1.8)	(1,019)	(5.4)	(979)	(5.2)
							Total (undiluted)	14,188	74.9	14,216	75.1	14,734	77.8
							Add options in the money (m)	-	-	-	-	-	
							Add cash	-	-	-	-	-	
							Total (diluted)	14,188	74.9	14,216	75.1	14,734	77.8
							<b>CAPITAL STRUCTURE</b>						
							Total shares on issue	m					189.4
							Share price	\$/sh					46.82
							Market capitalisation	\$m					8,867.8
							Net cash	\$m					-345.2
							Enterprise value (undiluted)	\$m					9,213.0
							Options outstanding (m)	m	(price \$0.00 per share)				0.0
							Options (in the money)	m					0.0
							Issued shares (diluted for options)	m					189.4
							Market capitalisation (diluted)	m					8,867.8
							Net cash + options	\$m					-345.2
							Enterprise value (diluted)	\$m					9,213.0
							<b>MAJOR SHAREHOLDERS</b>						
							Shareholder		%				m
							Christopher Ellison		11.8				22.3
							BlackRock, Inc.		5.4				10.2
							Fidelity International Ltd		5.0				9.4
							Magellan Asset Management Limited		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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