

DRIVING IN BULL DUST: MINERAL RESOURCES (ASX:MIN)

Nina Hendy, Contributing Columnist

The media treat Chris Ellison as the canary in the coal mine when looking for evidence of how the commodities markets are performing in Australia. If the Perth billionaire is doing well, then the economy must be safe for another day.

Recent media reports suggest a drop in lithium and iron ore prices put Ellison on the defensive but the managing director of diversified resources juggernaut Mineral Resources (MinRes) had a clear message for the market in our interview – a capital raise is not on the cards. “I don’t have to do a capital raise this year or next year – not ever,” he says.

The ups and downs of commodity cycles is nothing new for Ellison, who founded MinRes 32 years ago and has grown the company from a mining contractor to the owner-operator of iron ore and lithium mines across Western Australia, a leading services provider to Tier One miners and the largest holder of onshore exploration petroleum acreage in the State.

Ellison is adamant the dip in commodity prices is nothing more than a blip on the radar. “This is the third downturn I’ve done in lithium. It’s probably number four in iron ore. I’ve been through issues in the 1980s and 1990s, the GFC, the Asian meltdown. This is just another downturn.

“Personally, I don’t think it’s going to be that bad. Lithium is just resetting its worth given that car manufacturers in the Western world have been a bit lazy with electric vehicle rollouts and are a couple of years behind where the market expected them to be. There’s no direct pressure on the car manufacturers to get rid of combustion engines other than talk.”

MinRes has already responded to the price environment by taking a conservative approach to FY25, deferring expansion projects and focusing on cost reduction and cash preservation. This has included identifying \$180 million in FY25 capital expenditure savings and \$120 million in FY25 operational cost savings.

This includes costs reduction in MinRes’ lithium business, which is comprised of three hard rock mines: Wodgina, Mt Marion and Bald Hill. Ellison says current lithium prices were “unsustainable” and the cost-saving measures were designed to keep all three mines in operation through the current downturn.

“I don’t want to close any of my mines. I want to make sure that I keep them ticking over by getting them to cash break-even,” he said.

Another major focus is ramping up the company’s Onslow Iron project to 35 million tonnes per year from June 2025. The landmark project, which unlocks the West Pilbara as a new mining region, delivered first ore in May and transitions MinRes to a low-cost iron ore business.

“Onslow Iron is one of those projects that every mining company would want. If you look at the staple of any mining portfolio, it’s iron ore. The three or four biggest mining companies in the world are there because they’ve got iron ore. Take the iron ore out of them and they’re just another mid-sized mining company,” Ellison said.

“Vale, BHP, Rio Tinto, Anglo American, FMG – the core of the value of those companies is through iron ore. We’ve now got an iron ore business that’s going to make a lot of money. Onslow Iron is under US\$40 a tonne landed

in China, with all royalties and freight paid. That means Mineral Resources is going to be around at least for another 50 years.”

With deep experience in mining contracting, engineering and resource processing industries, the founding shareholder of the three original companies of MinRes (Crushing Services International, PIHA and Process Mineral International) earned his stripes as a businessman with serious acumen back in the late 1980s when he traded the Monadelphous Group out of financial difficulties and eventually onto the ASX.

His vision for MinRes was bold: he wanted a slice of the booming commodities market, opting for the crushing part of the operation as a point of difference because it has always been seen as the dirty part of the plant “out the back”. “It was a combination of seeing if I could ever get enough money together to own commodities, and I wanted to have long-term contracts with the big players.”

Ellison has been at the forefront of a drive by an increasing number of business leaders to boost productivity by getting more workers back in the office. He’s done this by investing in big ticket items at MinRes’ Perth headquarters, including an onsite restaurant with subsidised takeaway dinners and a childcare centre for the children of employees.

That investment in people extends to the blue-collar workforce too, with MinRes launching its own internal airline, MinRes Air, that operates flights from Brisbane to the Pilbara and will soon take-off from Perth. Onslow Iron also features resort-style rooms that are three times the size of typical FIFO accommodation.

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Chris Ellison, CEO of Mineral Resources (MIN)

“About 95 per cent of my workforce cannot work from home. For the small minority that can work from home, I’ve tried to understand what would get them back in the office. The best coffee shop in Perth is right here in my office. I’ve got seven baristas full time making about 15 different kinds of coffee and a dozen different kinds of health juices,” he said.

“Parents can come to work, get personal training in the gym, head to the coffee shop or restaurant and move around the building and not be stuck behind their desk all day – and soon they will be able to drop their children off at daycare. It’s all about our people collaborating in a really good environment.

“I know the return that I get on that investment in terms of greater productivity results and one of the most important things in a business like this is to keep your people for the long term.”

ABOUT MINERAL RESOURCES (ASX:MIN)

Mineral Resources (ASX: MIN) is a leading diversified resources company with extensive operations in lithium, iron ore, energy and mining services across Western Australia. With a workforce of more than 8,000 people, the company is building one of Western Australia’s most impressive iron ore portfolios, operating across three hubs with a focus on long-life, low-cost projects. Its wholly owned subsidiary, CSI Mining Services, is a leader of sustainable mining services supporting MinRes projects and mining clients, while it also operates engineering and construction projects and a growing portfolio of lithium assets, strengthening its position in the battery supply chain amid the world’s clean energy transition.

Market cap \$10.32 billion

Price \$52.54

Historical dividend yield 0.4%

** As at 02 October 2024*