

## Mineral Resources Limited:

### Opportunistic Player in the Australian Resources Industry

**Strategy:** Mineral Resources Limited (MRL) provides services to the resources industry as well as acting as a miner itself. When questioned whether it is a miner or a service company, Chris Ellison, the Managing Director and a founder shareholder, replied that it is a service company but will take any profitable opportunities in the mining sector.

MRL supplies the biggest names in the industry with specialised contract crushing, screening, materials handling, processing and logistics supplying services and equipment throughout WA and NT. It delivers over 274m tonnes per year of contracted crushing making it the largest crushing contractor in the world. It also has road trains, mining village accommodation, port facilities, rail lines, wagons and locomotives, and operates the Mt Marion lithium project.

**Success Drivers:** Its success comes from a culture of innovation and its ability to act quickly on new possibilities. The company operates out of four businesses, each with their own separate management: Mining Services, Lithium, Iron Ore and Energy.

MRL uses its own mine sites to prove up new research and development. For instance, its Innovation Centre currently has under development: (1) Full automation of their road trains hauling ore on their privately owned roads (2) Manufacture of mining industry components from composite materials, and (3) Value-add conversion of all of the Mt. Marion lithium production into lithium hydroxide in a joint venture partnership.

Chris Ellison wants to develop long term (many decades) annuity revenue streams by renting these 'services' to other miners.

**Member Meeting:** In a member meeting, the company described itself as an opportunistic company run by entrepreneurs. They get many ideas put to them and so can afford to be fussy. Only interested if the return is projected to be above 25%. Chris Ellison stated: "I am really enjoying the job and would like to be running the business for another 10 years at least provided I have the support of the board."

**Economic Moats:** Ability to innovate and move quickly and to profit from its innovation. For instance, it took just 49 days advance from first mining to first exports from its Wodgina lithium project, 110km South of Port Hedland. Another example is to use their own secure, long term, in-ground gas reserves to provide fixed price, low cost power to MRL sites and operations. This will enable the company to control energy costs for 20+ years. MRL has shown that it knows how to be profitable in all markets.

**Main Future Risks:** The company spends too much of its attention and funds on its innovation projects which don't turn out to be successful.

Dividend Yield	ROE	5 Year Growth	
		SPS	EPS
3.1%	11.3%	21.6%	29.3%

• Market Cap: \$15.6 billion • 5-yr TSR: 37.9%

**Conclusion:** Mineral Resources is an agile and diversified operator in the Australian mining sector with long-term BOO crushing contracts and its own mining operations. Most importantly, an entrepreneurial ethos. (Dec, 2022)

*This report is prepared for members of the Conscious Investor Fund. It does not take into account anyone's personal circumstances. Remember, what happened in the past is not always what will happen in the future.*

*Questions? Contact us:*

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