

## 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 130m tonnes per year of crushing capability 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 main portfolio comprises three mining services companies: Crushing Services International Pty Ltd, Process Minerals International Pty Ltd and MR Energy.

Along with this, MRL has three mineral producing divisions: iron ore, a manganese project (43.1% owned) and a substantial holding in the Mt Marion Lithium project. MRL uses its own mine sites to prove up new research and development. For instance, its Innovation Centre currently has under development: (1) Bulk Ore Shuttle System (BOSS) (low cost bulk transport system) (2) Manufacture of mining industry components from composite materials, and (3) Remote LNG and solar power solutions.

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

**Member Meeting:** In a recent 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 S of Port Hedland. Another example is to use secure long term, in-ground gas reserves to provide fixed price, low cost power to MRL sites and operations. Enable 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
2.4%	19.5%	6.4%	3.9%

• Market Cap: \$4.0 billion • 5-yr TSR: 21.3%

**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. (Jan 2018)

*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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