



**Despite failed bids Mineral Resources fuels another year of earnings growth**

<b>Company/ASX Code</b>	Mineral Resources Ltd/MIN
<b>AGM date</b>	Wednesday 20 November 2019
<b>Time and location</b>	10am (WST) at Mineral Resources Park, 50 Bishopsgate Street, Lathlain, WA
<b>Registry</b>	Computershare Investor Services Ltd
<b>Webcast</b>	Yes
<b>Poll or show of hands</b>	Poll on all items
<b>Monitor</b>	Geoff Sherwin, assisted by Alan Dickson
<b>Pre AGM Meeting?</b>	Yes with Chair Peter Wade, and James McClements (Rem Chair)

<b>Item 1</b>	<b>Consideration of accounts and reports</b>
<b>ASA Vote</b>	No vote required

**Summary of ASA Position**

**Governance and culture**

Mineral Resources was listed in 2006, just in time to cash in on the imminent mining boom in Western Australia. The founding directors having significant shareholdings. The company’s financial performance since listing has handsomely rewarded loyal early investors, and the board membership has remained small in number. The company has moved slowly to adapt to the governance requirements of a top 100 company.

**Financial performance**

As forecast, both statutory net profit after tax (NPAT) (\$165m), and underlying NPAT (\$205m), were substantially lower than achieved in FY18 (financial year 2018), due to a significant change in the Company’s business model. This change, adopted in September 2018, involved a switch from DSO (Direct Shipping Ore) activities at the Wodgina lithium project in favour of a higher value beneficiation of spodumene concentrate in future. There was also a temporary pause in mining activity in the last quarter of 2018 to allow the new Koolyanobbing project to get under way. This change of direction has resulted in a significant increase in capital expenditure to a total of \$858m, up by 140% on FY18.

The resulting decrease in profit resulted in a dividend reduction in line with the company policy of paying dividends at a level representing 50% of company profit. Total shareholder returns fell in 2019, once again caused by the dividend reduction, plus the fall in the price of lithium, as it is likely that the previously higher price was the cause of an increase in share price earlier.

## **Key events**

There were no buybacks or share capital raisings, but an inaugural international loan raising of US\$700m was achieved, representing a senior unsecured loan offering due for repayment in 2027, at a coupon rate of 8.125%.

The company has entered into an arrangement with Albemarle Corporation to form a joint venture agreement to enable it to participate in the lithium hydroxide market more quickly than would have been possible if acting on its own.

## **Key Board or senior management changes.**

In June 2019 Tim Roberts resigned his directorship, whilst Mark Wilson took up the position of Chief Financial Officer and joint Company Secretary in August 2018. Other significant executive changes during the year saw Mike Grey assume the Chief Operating Officer – Mining Services role in May 2019, and Rohan O’Grady assume the Chief Operating Officer – Construction role in September 2018.

## **Summary**

(As at FYE)	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
NPAT (\$m)	165.0	272.0	201.7	(26.0)	12.5
UPAT (\$m)	205.0	269.0	214.0	97.0	109.0
Share price (\$)	14.98	16.00	10.85	8.31	6.60
Dividend (cents)	53.0	58.0	42.0	24.0	39.5
TSR (%)	(3.1)	52.8	35.6	29.5	(23.5)
EPS (cents)	87.1	145.3	107.7	(13.3)	7.0
CEO total remuneration, actual (\$m)	3.02	2.37	2.75	1.81	0.69

The CEO’s annual remuneration for FY19 was approximately **34** times the Australian Full Time Adult Average Weekly Total Earnings (based on May 2019 data from the Australian Bureau of Statistics).

<b>Item 2</b>	<b>Resolution 1 - Adoption of Remuneration Report</b>
<b>ASA Vote</b>	<b>For</b>

## **Summary of ASA Position**

The company has now suffered successive strikes against its 2016, 2017, and 2018 Remuneration Reports, resulting in a spill of the board resolution at the 2017 AGM, which was overwhelmingly defeated in a poll vote. We joined the “against” vote in 2016 but voted “for” in 2017 and 2018 in view of our opinion that the company was making adjustments that moved close to our preferred position.

We are supportive of the moves made in the recent changes for 2020 to ensure that a portion of short-term incentives (STIs) are to be deferred for up to 2 years and paid in the form of equity, whilst lifting the maximum opportunity to 100% (CEO) and 80% (other key management personnel) of fixed annual remuneration (FAR), whereas the STIs have previously been paid in cash up to 2019.

The reduction of the CEO's FAR in FY20 from \$1.5m to \$1.2m is noted, as is the change to the STI arrangements mentioned above. For the FY19 year, STI benefits were paid at 78% of maximum capacity in accordance with the measure established, but no performance shares were allocated under the LTI plan, due to the 12% ROIC target not being met.

With respect to the LTI plan for FY20 we approve the increase in the performance period to 4 years, something we have lobbied for previously. We also note that the return on invested capital hurdle has been retained at 12%, but with a stretch capacity to 18% for maximum benefit, which we support in view of our view that 12% was on the low side as measure of peak performance.

The following table presents target and maximum opportunity for the CEO's remuneration in FY19. Since there is no specific target LTI amount defined within the remuneration table, target LTI has been assumed to be the same as the maximum opportunity for LTI.

FY19 MD Remuneration Framework	Target \$m	% of Total	Max. Opportunity \$m	% of Total
Fixed Remuneration	1.59	31.6	1.59	30.3%
STI - Cash	0.596	11.8	0.794	15.2%
LTI	2.86	56.6	2.86	54.5%
Total	5.046	100	5.244	100.0%

The company meets our requirements in the areas of performance shares being issued at market value, and the requirement that directors' fees be paid in the form of shares will ensure that the benchmark directors' holdings will be achieved in a timely fashion.

<b>Item 3</b>	<b>Resolution 2 - Re-election of Director – Mr Kelvin Flynn</b>
<b>ASA Vote</b>	<b>For</b>

### Summary of ASA Position

Mr Kelvin Flynn was elected in 2010 and brings experience and stability to the board. He chairs the Audit Committee, as well as being a member of the Remuneration and Nomination Committees.

Kelvin is a chartered accountant who has specialised in investment banking and corporate advisory roles, he is the MD of funds manager Harvis, is a non-executive director (NED) of Silver Lakes Resources, and a director of the private company Global Advanced Metals Pty Ltd, and as such brings appropriate skills to the board's deliberations.

<b>Item 4</b>	<b>Resolution 3 - Re-election of director – Ms Xi Xi</b>
<b>ASA Vote</b>	<b>For</b>

Ms Xi Xi was appointed by the board as a non-executive director in September 2017. She has a MA in International Relations (China Studies & International Finance) from Johns Hopkins University. Xi holds a double BS in Chemical Engineering & Petroleum Refining, as well as Economics, from the Colorado School of Mines.

Xi Xi has extensive experience in the global natural resources sector having served as a Director of Sailing Capital, a US\$2 billion private equity fund founded by the Shanghai International Group in 2012. She has worked with numerous Chinese state and privately-owned enterprises, advising on international acquisitions and investments overseas. She currently serves as a non-executive director of Zeta Resources, an investment company which holds oil and gas positions.

We consider that Ms Xi will bring valuable experience and skills to the board's deliberations.

<b>Item 5</b>	<b>Resolution 4 - Spill resolution – (contingent resolution)</b>
<b>ASA Vote</b>	<b>Against</b>

### Summary of ASA Position

The ASA will not generally support a spill of the board positions following a second strike, as it is seen as too harsh a step unless a specific situation exists which would justify such action. In this instance the board has performed well in positioning the company to be a major player in the developing lithium hydroxide industry, whilst maintaining its market dominance in the mining services sector, and consolidating its iron ore mining facilities. We have also supported the company's Remuneration Reports in recent years, so a spill of directors would not be consistent with those actions.

The individuals (or their associates) involved in the preparation of this voting intention do not hold a shareholding in this company.

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