

4 November 2024

MinRes provides update on corporate governance, leadership succession

The Board of Mineral Resources Limited (**ASX: MIN**) (**MinRes** or **Company**) provides the following update on the conclusions the Board has reached and the actions the Board will take in relation to governance issues involving the Company's Managing Director Chris Ellison and others.

The major actions the Board will take are:

- ▶ **Introduction of new processes to strengthen corporate governance**
- ▶ **Mr Ellison to incur Board-imposed financial penalties of \$8.8 million, and loss of remuneration of up to \$9.6 million, reflecting the significance of corporate governance and reputational issues to the Company**
- ▶ **An acceleration of the leadership succession plan in a manner that protects shareholder value and investors' interests**
- ▶ **Mr Ellison expected to remain in role of Managing Director while an orderly transition is effected within the next 12-18 months**
- ▶ **James McClements to step down as Chair at or before next year's AGM**

As previously announced, the Board of MinRes has been investigating certain allegations concerning Mr Ellison that have emerged over time.

The Board identified a range of issues and shortcomings that demanded a strong and comprehensive governance response, which included an acceleration of leadership succession. Full details of the Board's response are set out below.

MinRes Chair James McClements said the Board's decisions have been shaped by what is in the best interests of the Company, including shareholders, many of whom expressed their views in recent weeks.

"In reaching our position, the Board has considered multiple factors, including the appropriate response to the identified governance issues and protecting long-term shareholder value," he said.

"The Board faced a unique set of circumstances, with a high-performing, value-creating Managing Director, and an array of governance issues that, in aggregate, created an environment that required us to make changes.

"The Company's rapid growth, particularly in the last 5 years, placed pressure on its governance systems and processes. While we have been working to improve those systems and processes, we recognise the need for accelerated change that reflects our status as a major ASX-listed company.

"We considered the best ways to achieve leadership succession and to make substantial advances in corporate governance, while also protecting value for shareholders.

"With the interests of shareholders absolutely front and centre, the Board has determined there needs to be an orderly leadership transition, significant strengthening of governance protocols, and a financial penalty imposed on Mr Ellison.

"There can be no doubt that the actions, decisions and behaviours of Mr Ellison have been profoundly disappointing and require sanction and penalty."

Mr Ellison has told the Board he fully accepts its decisions and will continue to work in the best interests of MinRes and its shareholders through the transition.

"I am deeply sorry for the events that have occurred and the impact they have had on MinRes' reputation. I apologise to the rest of the Board and to our people, who expect and deserve better from me. I acknowledge that I made mistakes, some of which were driven by my wish to keep private certain events that cause me great personal embarrassment. I am committed to the leadership succession that the Board has announced, and I will work tirelessly to win back the confidence of investors and our whole MinRes team," said Mr Ellison.

Conclusions in relation to transactions with FEEHL

A major focus of the Board's recent efforts has been understanding Mr Ellison's private tax settlement with the Australian Taxation Office (**ATO**), MinRes' involvement with Mr Ellison's private companies, and the impact, if any, on MinRes and its shareholders.

The Company can confirm that:

- ▶ between 2003 and 2014, Mr Ellison had an interest in a British Virgin Islands company, Far East Equipment Holdings Limited (**FEEHL**), which bought and sold mining equipment;
- ▶ in 2003 and 2004, FEEHL sold mining equipment to Crushing Services International Pty Ltd (**CSI**), which was not fully paid for at the time of purchase;
- ▶ CSI was acquired by the Company in 2006;
- ▶ a liability to FEEHL was not disclosed in the Company's IPO prospectus in 2006 (or at any other time) as a related party liability;
- ▶ following its IPO, the Company and its subsidiaries made only two payments to FEEHL in 2006 and 2008, totalling \$3,790,607, to extinguish the liability;
- ▶ FEEHL was deregistered in 2014;
- ▶ in 2021, Mr Ellison made a voluntary disclosure to the ATO of income that he had earned from FEEHL, and in May 2023 he paid the ATO \$3,936,884 in unpaid taxes (including interest and administrative penalties);
- ▶ the ATO has not issued any amended assessments to MinRes with respect to depreciation claims made on assets acquired from FEEHL; and
- ▶ neither Mr Ellison nor the Company repaid depreciation claims made by the Company, as part of, or in connection with, the voluntary disclosure and settlement of Mr Ellison's private tax affairs.

Mr Ellison did not disclose to the Company the matter of his private tax settlement until November 2023.

Conclusions in relation to other matters

As identified in our announcement dated 28 October 2024, Herbert Smith Freehills has been engaged since 2022 to assist the Board and investigate allegations concerning Mr Ellison. Certain matters have been reported in recent media coverage and the Board's investigation has evolved to respond to statements that do not accord with the Company's understanding of the facts. Some inquiries are ongoing, and the Company will keep the market appropriately updated in line with its continuous disclosure obligations.

Of the various allegations that have been considered, the Board confirms the following:

From time to time, financial benefits have been provided to related parties of Mr Ellison, including: rent paid to entities in which Mr Ellison has an interest; rent relief afforded to entities in which Mr Ellison's daughter has an interest; and indirect financial arrangements involving an entity in which Mr Ellison's daughter has an interest.

The Board has concluded that, while Mr Ellison has disclosed these matters to the Board, he failed to appreciate the importance of transparent and timely disclosure of matters that could give rise to a potential or actual conflict of interest. As and when these matters have been brought to the Board's attention, steps have been taken to check that each is appropriately assessed and disclosed. The Board has worked to significantly improve the controls on related party transactions and their disclosure, and is satisfied that these matters do not impact its recent financial statements.

The Board has also concluded that Mr Ellison, on occasions, used Company resources for his personal benefit. This has included: directing Company employees to work on his boat and properties; directing a Company employee to manage his personal finances; and using the Company to procure goods and services for his private use. The Board is satisfied that the use of MinRes resources and assets in this way has not caused material financial detriment to the Company. Where Mr Ellison has used the Company to procure goods and services, procedures existed to ensure that he paid the Company for these goods and services.

It has recently come to light that a number of Company emails relating to FEEHL were deleted in 2019. The Board has concluded that this was an attempt to avoid information regarding FEEHL becoming public. These actions were taken at around the time that Mr Ellison commenced the process of self-disclosing to the ATO, and before the ultimate voluntary disclosure and settlement with the ATO.

Conclusions in relation to Mr Ellison's conduct

Taking into account these broader allegations, as well as the matters noted above in relation to FEEHL, the Board has formed the view that:

- ▶ While he has co-operated with the current investigation, over the lifespan of the matters being investigated, on some matters, Mr Ellison has failed to be as forthcoming with the Board as he should have been.
- ▶ At times, Mr Ellison has not acted with integrity, which sits at the core of the Company's values.
- ▶ Mr Ellison has not fully appreciated the importance of transparent and timely disclosure of matters that could give rise to a potential or actual conflict of interest, in particular with respect to related party transactions.
- ▶ Mr Ellison has not placed sufficient separation between his personal interests and the interests of the Company as a whole.
- ▶ These matters have adversely impacted MinRes' reputation and called into question the confidence of its shareholders and other stakeholders in its leadership.

Although many of the events in focus are historical, the Board accepts and recognises the need for leadership accountability around these matters and to further enhance its governance processes.

Governance improvements

Under the leadership of Chair James McClements, the Board has been focused on continuous improvement and, in particular, on corporate governance.

In light of Mr Ellison's status as founder, his continued role in senior management, and the Company's growth, another key area of the Board's focus over the last two years has been ensuring greater separation between the Company's affairs and Mr Ellison's personal affairs.

Considering the Board's focus, and in acknowledgement of the considerable shareholder interest in these matters, the Board today announces the following actions to accelerate the necessary change within the organisation:

- ▶ The establishment of an independent **Ethics & Governance Committee** to oversee the Company's compliance efforts and ensure that the Company meets the highest legal and ethical standards going forwards. Members will include independent non-executive directors Denise McComish, Susie Corlett and Jacqui McGill. The Committee's scope will include:
 - reviewing related party transactions involving Mr Ellison
 - enhancing internal controls regarding related party transactions across the organisation, including approval processes
 - reviewing delegated authorities, executive reporting lines and compliance functions, and updating as appropriate
 - overseeing internal and external investigations, including whistleblower reports and ethical breaches
 - overseeing investigations into outstanding matters and reopening previously concluded investigations if further information comes to light
 - strengthening conflicts of interest procedures.
- ▶ The establishment of a new role, reporting directly to the Board, with responsibilities that include overseeing compliance and the Company's whistleblower process.
- ▶ Reinforcement of Company policies on **honesty, integrity and ethics** throughout the organisation, including continued externally led cultural training.

Actions to be taken

It is clear, and accepted by Mr Ellison, that he did not disclose to the ATO revenue generated by FEEHL.

Mr Ellison's conduct is serious. It reflects neither his values nor those of the Company. Mr Ellison deeply regrets his actions. His conduct in relation to this matter is a profound source of embarrassment for him. It has undoubtedly affected his reputation, which is so closely tied to the reputation of the Company.

The Board is committed to addressing all matters appropriately.

Mr Ellison has apologised to the Board. He has confirmed that:

- ▶ there are no matters not already known to the Board for him to disclose that would or could bear upon whether he is a fit and proper person to continue in the role as Managing Director; and
- ▶ there are no undisclosed transactions between the Company or its subsidiaries and entities associated with him.

In addition:

- ▶ Mr Ellison will pay to the Company **\$3,790,607**, being the full amount of payments the Company made to FEEHL in 2006 and 2008 without adequate related-party disclosure
- ▶ Mr Ellison will immediately forfeit all unvested long-term and short-term incentives on issue to him from the Company (up to approximately **\$6.5 million**)

- ▶ Resolution 4, relating to the proposed award of incentives to Mr Ellison, will be withdrawn from consideration at the upcoming Company's 2024 Annual General Meeting (approximately **\$3.1 million** at the current share price)
- ▶ Mr Ellison will, in consultation with the Board, for a period of 5 years, make an annual charitable contribution of \$1 million from his own funds (totalling **\$5 million**)

These measures send a strong message that the Company will not tolerate such conduct and give the Board comfort that similar events will not occur in the future.

"Our collective judgment and decisions were based on an assessment of what we learned and making an appropriate response that considered the significant reputational impact in the market and maintaining core stability in the business," said Mr McClements.

"Not all issues could be investigated prior to making this statement to the market and our commitment is to continue that work until all outstanding issues have been resolved."

Leadership succession

The Board and Mr Ellison have come to the view that it is in the Company's best interests to accelerate leadership succession. Consistent with ongoing Board composition and renewal activities, the evolution of the Board will also continue.

To effect an orderly transition in the Company's management, the Board will accelerate work that has been underway for some time with Spencer Stuart to identify a suitably qualified successor to Mr Ellison. That process will be accelerated so that it can be completed within the next 12-18 months.

Mr McClements has separately indicated his intention to step down once a suitable successor can be identified and, in any event, by no later than next year's AGM, which would mark his 10 years of service on the Board. The Company will thank Mr McClements more fully for his dedicated service at an appropriate time.

The Board and Mr Ellison consider that diversifying governance and management will generate long-term value for shareholders.

Mr McClements said that orderly transitions were in the best interests of the Company, bearing in mind the strong views voiced by investors who had sent clear messages about what they thought was the best way to protect shareholder value. The Board has also had regard to the interests of other stakeholders, including our people, customers and joint venture partners.

"Work on transition has, in fact, been underway for some time through an international recruitment firm and these recent events have accelerated that process," he said.

"The same holds for my position as Chair, which was always set for change by the 2025 AGM when I would have served as a director for 10 years.

"It's appropriate my successor should be deeply involved in the appointment of the next CEO and, therefore, we will fast track recruitment of the next MinRes Chair through the Nomination Committee."

The Board extends its gratitude to shareholders and other stakeholders for their support and understanding during this challenging time.

ENDS

This announcement dated 4 November 2024 has been authorised for release to the ASX by the MinRes Board.

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About Mineral Resources

Mineral Resources Limited (ASX: MIN) (MinRes) is a leading diversified resources company, with extensive operations in lithium, iron ore, energy and mining services across Western Australia. With a focus on people and innovation, MinRes has become one of the ASX's best-performing companies since listing in 2006. For more information, visit www.mineralresources.com.au.