ASX ANNOUNCEMENT

1 November 2017

Remuneration Policy and Corporate Governance

Dear Shareholder,

As we approach the 2017 Annual General Meeting (**AGM**), we have elected to clearly set out the Board's approach to remuneration policy as well as our commitment to ensuring shareholder interests are protected and served at all times.

The Board takes its custodial role of shareholder interests seriously. We consider the governances practices we have employed to protect these interests are both first class and effective as evidenced by historical returns delivered to the Company's shareholders.
Over the last 11 years of MRL being a listed company, the key management personnel of the Company, which includes founding shareholder and managing director, Chris Ellison, have successfully managed the business through challenging commodity cycles and a volatile global economic environment.

Since listing in 2006, the skills, experience and dedication of the Company's key management personnel have been directly responsible for:

1. the Company's market capitalisation increasing from approximately A$100 million to almost A$3.5 billion today;
2. the Company's share price increasing from $0.90 to $18.44 per share at market close on 26 October 2017;
3. in addition to the $17.54 increase in share price, delivering $3.72 in dividends per share; and
4. delivering total shareholder returns of $21.26 per share and a compound annual growth rate of 31%.

Notwithstanding this creation of exceptional shareholder value, the shareholders voted overwhelmingly against the Company's 2016 remuneration report. This was particularly disappointing given it was a vote against the remuneration structure of the same key management who had delivered exemplary business performance and shareholder value creation over the past decade.

It was not lost on the Board that this "first strike" was received at a time when the prevalence of proxy advisors had reached historical highs.

In response to the "first strike", the Board engaged in considerable stakeholder consultation. This process established that many proxy advisors adopt a scoring system that compares a company's remuneration structure against a pre-determined matrix of benchmarks and measures. These systems then produce a score which in turn determines whether the proxy advisor recommends a vote in support of or against a company's remuneration report. Such a rigid system assumes that a "one size fits all" method of assessment is an acceptable and valid way of evaluating the effectiveness of a remuneration structure to protect shareholder interests. Such systems completely disregard previous company performance as well as the uniqueness of the subject company. They are also unable to accommodate a remuneration structure that fails to "tick the boxes" of the proxy advisor system notwithstanding it has also unequivocally established its effectiveness in aligning the interests of key management personnel interests with those of shareholders by motivating year on year delivery of exceptional returns on capital and shareholder value creation.

A decision to invest in Mineral Resources must be made on the clear premise that the business operates a unique model that has successfully generated significant shareholder wealth over the long term and through the full range of business cycles. The Board has established and implemented a set of structured principles for remuneration oversight that recognises this uniqueness.

We unashamedly accept that our remuneration structure will ***not*** tick all the boxes the inflexible systems used by proxy advisors require be ticked in order to recommend a supporting vote. We say unashamedly because we are supremely confident this same remuneration structure sets the foundation for the ongoing generation of considerable shareholder wealth over the long term.

We have attached to this letter a further expanded explanation of our Board selection, structure and operating philosophy for your consideration and we seek your support for the proposed resolutions set out in the notice of meeting mailed to you recently.

We look forward to the Annual General Meeting on 22 November 2017 in Perth that will provide us with the opportunity to discuss with you the future direction of the Company and our plans for further developing the business over the long term.

Should you have any questions or comments in relation to these issues or the Company in general, please do not hesitate to contact the Company Secretary, Bruce Goulds or me.

Yours Sincerely,

James McClements
Lead Independent Director

Board and Committee Structure

The MRL Board is an independent board. Four of our six directors are classified as independent using the standard corporate criteria. To illustrate this, we have set out below the key tests commonly used to decide whether a director is independent and whether each of our non-executive directors comply with this criterion.
From the analysis, Mr Kelvin Flynn, Mr James McClements, Mr Tim Roberts and Ms Xi Xi are all confirmed to be independent directors.

Name	Peter Wade	Chris Ellison	Kelvin Flynn	James McClements	Tim Roberts	Xi Xi
Position	Non-executive Chairman	Managing Director	Independent NED	Lead Independent NED	Independent NED	Independent NED
Classification	Non-Independent	Non-Independent	Independent	Independent	Independent	Independent
The director has not within the last three years been employed by the Company in an executive capacity, or been a director after ceasing to hold any such employment.	✗	✗	✓	✓	✓	✓
The director has not within the last three years been a principal or employee of a material professional adviser or material consultant to the corporate group.	✓	✓	✓	✓	✓	✓
The director is not a material supplier/customer of the corporate group (or an executive or associate of a material supplier/customer).	✓	✓	✓	✓	✓	✓
The director does not have a material contractual relationship with the corporate group.	✓	✓	✓	✓	✓	✓
The director is free from any other interest and any business or other relationship with the corporate group.	✗	✗	✓	✓	✓	✓

On this basis, the Board recommends shareholders vote in favour of the re-election / election of Mr Kelvin Flynn, Mr Tim Roberts and Ms Xi Xi as listed in the Notice of Meeting.

Lead Independent Non-Executive Director

We have a situation where the Chairman (Peter Wade) is classified as a non-independent director. Peter, who was the previous Managing Director of the Company for six (6) years, and was the logical and unanimous choice to chair the Board on his retirement from executive duty. He is accordingly seen as an Associated Director although for all intents and purposes he is a fully independent member of the Board.
The Board, several years ago, determined that, to comply with corporate and legislative governance practices, it needed to nominate and introduce James McClements as a Lead Independent non-executive director. This engagement had the effect of strengthening Board performance and oversight of the Company and facilitates significant support to the board Chairman.

Committee Structure

The Board operates a conventional committee system to manage its various governance and compliance obligations on behalf of shareholders. Structurally, membership of committees consists of only independent non- executive directors, chaired by an independent director. We believe this is the most appropriate method of fulfilling this oversight role

On 11 September 2017 the Board appointed Ms Xi Xi to improve our understanding of Asian commodity markets and culture, with an emphasis on China. Details of Xi Xi's skills and experience are included in the 2017 Annual Report.

The board of MRL endorses the broadening of skills and diversity within the board structure and the appointment of Ms Xi Xi, we believe, meets the dual focus of expanding board diversity while enhancing the knowledge of the board around its key market. We will continue to review the board composition and structure to satisfy the ongoing growth of the company

The appointment of Ms Xi Xi followed an extensive search which is in line with our overriding principle that all MRL appointees, Board and executive, should be the best person for the job and provide a range of skills that will support our value add for our investors.

Following the appointment of our newest Director, the following committees are in place:

Director	Classification of the Director	Audit Committee (Including Risk Management)	Nomination Committee	Remuneration Committee
K. Flynn	Independent	Chair	Chair	Member
J. McClements	Independent	Member		Chair
T. Roberts	Independent	Member	Member	
Xi Xi	independent		Member	Member

Managing Director's remuneration package review

The remuneration package of MRL's managing director (**MD**) has historically lagged the packages of managing directors of the Company's peer companies. As such, he has essentially been underpaid which is not an outcome that has been aligned with the Company's strong long term growth performance.

The managing director has previously declined to accept parts of his STI and LTI entitlements which has perpetuated the discrepancy in his remuneration in comparison with his peers. Notwithstanding the large increase in Fixed Annual Remuneration (FAR) for the 2017 year, the actual 5 year compound annual growth rate for the period 2012-2017 has been 8%. Over this same period MRL had a 30% CAGR in EBITDA and 43% CAGR in TSR. Appropriately, the Board engaged the services of an independent remuneration consultant to undertake an extensive review of executive pay from an independently selected peer grouping for comparative purposes with the intention of "right sizing" the Managing Director's remuneration in order to reflect the considerable value that Chris Ellison brings to the company through the combination of his unique skillset, experience and his entrepreneurial focus on managing this unique company through the various business cycles.

Using the results of this analysis, the Board concluded that the managing director's remuneration package for 2017 should be structured to provide a total remuneration (including the face value of the 2017 LTI award) equivalent to the to the top decile of the independently established peer group; to achieve the requisite adjustment necessitates a 25% increase in the face value of the managing director's remuneration package. This adjustment is necessary to correct a remuneration structure and quantum that was simply not reflective of the responsibilities of the position, the size and complexity of the MRL business and the outstanding financial performance the company has achieved under his stewardship.

Remuneration Governance

At the 2016 AGM, 42.9% of shareholders that voted on the 2016 remuneration report voted no, creating the company's first strike vote. This outcome was predominately the result of proxy advisors unanimously recommending a no vote for MRL's remuneration report.

The Board has engaged with shareholders, proxy advisors and advocacy groups to understand the views and concerns over the structure of MRL's remuneration policies and practices which led to the first strike.

Following this consultation process, the Board concluded that the Company's remuneration model needed to be reviewed to ensure that it not only would continue to meet the Company's needs for attraction, retention and incentivising its key staff members, but also align with our shareholders' interests. Accordingly, the Board engaged with two independent remuneration advisory groups to establish a comparative measure of pay for performance against an independently selected peer group.

Discussion with a range of proxy advisors was fruitful and helpful but there remained some issues upon which we and proxy advisors disagree. Primarily, these issues relate to the structure of the long term incentive arrangements and the remuneration package of our managing director.

The Board is unanimous that a 'one size fits all' approach to remuneration structures is not an appropriate philosophy and, specifically, is not appropriate for the unique business model successfully pursued by Mineral Resources. It is in relation to these key considerations that we have not been able to convince all proxy advisors to fully support our revised remuneration structure that was released with our 2017 financial results.

The Board's independent strategic review of the Company's 2016 remuneration system has led to the implementation of a range of structural changes that has appropriately improved the overall remuneration system for 2017 and provides, what we consider to be, the appropriate remuneration structure to achieve our targeted future growth outcomes.

The following key principles form the basis of the MRL remuneration system that govern its structure.

The aim of the system is to reward individual management performance that directly increases shareholder value having regard to MRL's unique drivers of success.

The key principles of MRL's Remuneration system are:

(a) Fairness and equity in establishing the level of reward for performance.

(b) Transparency through establishing a readily identifiable direct link between performance and reward.

(c) Alignment of key stakeholder interests by promoting mutually beneficial outcomes for employee, client and shareholder.

(d) Incentivise performance that maximises the return on invested capital available to the Company by rigorous project selection and implementing optimal management practices.

(e) Maintain the MRL culture and behaviours in order to promote innovation, safety, corporate governance, social and environmental responsibility across all aspects of the business.

MRL's business drivers for success can be summarised as follows:

(a) Acquisition and/or construction of key projects that target life of mine service operations and are compatible with the company's skillset.
(b) Develop projects to a mature, steady state operation and divest for maximum capital gain at the opportune time.
(c) Using innovation, refined technology and unique business practices to deliver superior outcomes for client owned and company owned projects.
(d) Continually challenge operating parameters to optimise operational practices and project earnings.
(e) Maximise long term shareholder value by generating superior returns on invested capital.

Changes to 2017 remuneration system

The Board implemented a number of changes to key elements of the 2016 remuneration system as part of its review when setting MRL's remuneration system for 2017. These changes were:

(a) Long Term Incentive (**LTI**) vesting periods has increased and the period in which an award vest is now greater than three years.
(b) Vested LTI awards are held in escrow until the end of the scheme cycle. The consideration for LTI awards is MRL shares and the escrow creates alignment with Shareholders focused on TSR.
(c) Vesting of LTI awards remains subject to the company achieving or exceeding the Board determined ROIC hurdle for every year of the scheme cycle. In any year that the LTI does not meet the minimum ROIC of 12% no LTI awards shall be granted for that year and earned but unvested LTI due to vest in that year will also be deferred or forfeited in accordance with the LTI structure. No pro rata payments are made for performance less than minimum ROIC hurdle.
(d) On and from 2017, normalised earnings are no longer used to measure performance. Instead, statutory profits will be used.

Principles retained from previous (2016) system

Following its review, the Board determined the following remuneration principles would be retained from 2016:

(a) Return on Invested Capital (**ROIC**) will remain the single performance measure for LTI awards. Based upon independent research, the Board considers this single measure encapsulates the long term performance of MRL's business most appropriately.
(b) The minimum ROIC performance threshold for LTI awards remains at 12%. The Board is satisfied that this threshold creates shareholder value and provides management with a rigorous performance target. The Board has independently verified the minimum target of 12% ROIC target for LTI awards by:

- Comparing it to an independently confirmed peer group.
- Comparing it to the company's own weighted average cost of capital (**WACC**).
- Recognising MRL's capital intensive nature and industry segment.
- The scheme does not pay out on a pro rata basis for performance less than a 12% ROIC

(c) While there is a minimum ROIC performance target of 12% there are stretch targets of 15% and 18% that will require outstanding performance to be achieved. Such outstanding performance will be to the significant benefit of shareholders through both dividend and capital growth of the company and will incentivise the management team to target greater than the minimum threshold figure.

(d) The Board has considered the nature and purpose of the Short Term Incentive (STI) award and has concluded that the structure used in 2016, to pay the STI awards in cash immediately following the award year without retention, meets the overall reward objectives of the MRL remuneration system.

Remuneration outcomes for 2017

(a) ROIC achieved in 2017 was 19.5%. This is 62.5% over the minimum threshold of 12.0% and entitles LTI participants to a 50% uplift to their base LTI award entitlements.

(b) The Managing Director achieved 100% of his Short Term Incentive (**STI**) KPIs for 2017. KPI targets for the award of STI bonuses are directly linked to the Key Business drivers for success as described earlier in this document.

  a. Safety performance is an overriding KPI which sets the culture and tone for operational performance and has a direct relationship to the success of the business. Improvement of TRIFR outcomes therefore form a proportion of the suite of KPI's tested.
  b. Other KPIs are related directly to the key business drivers, all of which were achieved and / or exceeded in the period. These include:
    (i) Acquisition and development of identified operational projects to steady state operation,
    (ii) Development and use of innovation to improve business outcomes for both client and company owned projects.
    (iii) Initiatives that have the capacity for major improvement to shareholder value.