



Thursday, 8 February 2018

Half Year Profit Announcement

Mineral Resources Limited (ASX: MIN) ('MRL' or 'the Company') today announced its financial results for the Half Year ended 31 December 2017 (HY18).

Financial Highlights

- Revenues of A\$0.962 billion, represent a 22% increase on the previous corresponding period (pcp);
- Reported EBITDA of A\$352 million, represents a 25% increase on pcp;
- Underlying EBITDA of A\$250 million, on target to achieve full year guidance of a minimum of \$500m Underlying EBITDA;
- Reported Net profit after tax of \$163 million, represents an increase of 16% on pcp;
- Fully franked interim dividend of 25.0 cents per share declared.

	HY18	HY17
Revenues	\$962m	\$786m
EBITDA Reported	\$352m	\$282m
EBITDA Underlying	\$250m	\$232m
NPAT Reported	\$163m	\$140m
Fully Franked Dividend (Interim)	25.0cps	21.0cps

One-off items and impairment charges

One-off items (excluded from EBITDA Underlying and included in NPAT Reported)	
• Unrealised increases in the value of listed investments	\$93.5m
• Gain on business combination Empire Oil acquisition	\$8.5m
• Total	\$102.0m
Impairment Charges (included in NPAT Reported)	
• Yilgarn iron ore assets	\$46.9m
• Goodwill	\$6.4m
• Investment on acquisition of Empire Oil	\$3.2m
• Total	\$56.5m

1 Sleaford Road, Applecross, Western Australia 6153. Locked Bag 3, Canning Bridge, Applecross, Western Australia 6153
 P +61 8 9329 3600 F +61 8 9329 3601 W www.mineralresources.com.au



Operational Highlights

- Crushing capacity was in line with expectations – with operations at Mt Marion and Wodgina contributing to results in the half
- Iron ore exports totalled 4.8 million tonnes achieving at EBITDA of A\$8.8 / wmt for the half year - realised prices were \$72.6/wmt, representing 88% of the average Platts 62% index price;
- Mount Marion spodumene operation shipped 202k wmt with production currently at 450k wmt per annum run rate;
- Wodgina lithium project exported 1.77 million wmt of direct shipping ore (DSO) for the half with a high level of customer satisfaction with the product. The operation is on target to achieve exports of between 4.5 and 4.75 million wmt for FY18;

Capital / Financial Management:

The Company maintained its disciplined approach to capital management while continuing to meet the ongoing capital requirements and development targets.

The balance sheet at half year end remained in a very strong position with a net cash position of A\$94 million and substantial undrawn debt facilities. The Company is well placed to pursue development opportunities.

Interim Dividend

The directors have resolved to distribute a fully franked interim dividend of 25.0 cents per share for shareholders at 16 February 2018, an increase of 19% on the interim dividend of 21.0 cents per share for 2017.

Financial Guidance for FY18

The Company confirms its FY18 Underlying EBITDA guidance of greater than \$500 million. The accounting impact of unrealised changes in the market value of listed investments are excluded from underlying EBITDA.

Mineral Resources Managing Director Chris Ellison said *“the financial results are in line with the Company’s expectation for the half year and reflects the progress towards its growth targets in FY18 and beyond. Mineral Resources has a significant long-term growth opportunity ahead as a leading and highly innovative developer and full-service provider of world class mining infrastructure services in Australia.”*

Contacts	Chris Ellison – Managing Director	Bruce Goulds – Chief Financial Officer
	Ph: 08 9329 3600	Ph: 08 9329 3600



HALF YEAR REPORT

31 DECEMBER 2017

MINERAL RESOURCES LIMITED
ABN 33 118 549 910

www.mineralresources.com.au

Mineral Resources Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Mineral Resources Limited
ABN:	33 118 549 910
Reporting period:	For the half-year ended 31 December 2017
Previous period:	For the half-year ended 31 December 2016

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	9.2% to	854,491
Profit from ordinary activities after tax attributable to the owners of Mineral Resources Limited	up	16.6% to	163,631
Profit for the half-year attributable to the owners of Mineral Resources Limited	up	16.6% to	163,631

Comments

The profit for the Group after providing for income tax and non-controlling interest amounted to \$163,631,000 (31 December 2016 \$140,349,000).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>620.54</u>	<u>569.19</u>

4. Dividends

	Cents	Franked %	\$'000
2018 Interim Dividend – declared 8 February 2018	25.00	100%	46,752
2017 Final Dividend – paid 20 September 2017	33.00	100%	61,699
2017 Interim Dividend – paid 15 March 2017	21.00	100%	39,278
2016 Final Dividend – paid 15 September 2016	21.00	100%	39,235

Record date for determining entitlements to the 2018 interim dividend	16 February 2018
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Payment date for the 2018 interim dividend	8 March 2018
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Mineral Resources Limited
Appendix 4D
Half-year report

5. Dividend reinvestment plans

Shareholders are able to elect to participate in the following Dividend Reinvestment Plan (DRP) for the 2018 interim dividend:

Date of interim dividend declaration	8 February 2018
Record date for determining entitlements to the interim dividend	16 February 2018
Closing date for election to participate in the DRP	19 February 2018
Closing date for calculation of DRP share issue price, based on the Volume Weighted Average Price ("VWAP") for Mineral Resources Limited shares sold on the ASX in the five business days following record date (rounded to the nearest whole cent)	26 February 2018
DRP discount to be applied	None
DRP to be underwritten	No
Payment date for interim dividend/issue of shares under the DRP	8 March 2018
DRP share ranking with existing Mineral Resources Limited shares	Equally in all respects
Date by which DRP participant's holdings will be updated with additional shares issued under the DRP	12 March 2018

Details of the DRP are available on the Group's website www.mineralresources.com.au

6. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

Mineral Resources Limited

ABN 33 118 549 910

Interim Report - 31 December 2017

Mineral Resources Limited
Corporate directory
31 December 2017

Directors	Peter Wade (Chairman) Chris Ellison (Managing Director) Kelvin Flynn James McClements (Lead Independent Non-Executive Director) Tim Roberts Xi Xi (appointed 11 September 2017)
Company Secretaries	Bruce Goulds Simon Rushton
Registered office	1 Sleat Road Applecross WA 6153 P: + 61 8 9329 3600 F: + 61 8 9329 3601 Postal address: Locked Bag 3, Canning Bridge, Applecross WA 6153
Principal place of business	1 Sleat Road Applecross WA 6153
Share register	Computershare Investor Services Pty Limited Level 11, 172 St Georges Terrace Perth WA 6000 P: 1300 850 505 F: + 61 3 9473 2500 www.computershare.com/au
Auditor	RSM Australia Partners Level 32, Exchange Tower, 2 The Esplanade Perth WA 6000 P: + 61 8 9261 9100 F: + 61 8 9261 9111 www.rsm.com.au
Bankers	National Australia Bank 100 St Georges Terrace Perth WA 6000 www.nab.com.au
Stock exchange listing	Mineral Resources Limited shares are listed on the Australian Securities Exchange (ASX code: MIN)
Website	www.mineralresources.com.au

Mineral Resources Limited
Directors' report
31 December 2017

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Mineral Resources Limited (referred to hereafter as the 'Company') and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

Directors

The following persons were Directors of the Company during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Peter Wade
Chris Ellison
Kelvin Flynn
James McClements (Lead Independent Non-Executive Director)
Tim Roberts
Xi Xi (appointed 11 September 2017)

Principal activities

During the half-year, the principal continuing activities of the Group consisted of the integrated supply of goods and services to the resources sector.

Dividends

Dividends paid during the financial half-year were as follows:

	Cents	Franked %	\$'000
2018 Interim Dividend – declared 8 February 2018	25.00	100%	46,752
2017 Final Dividend – paid 20 September 2017	33.00	100%	61,699
2017 Interim Dividend – paid 15 March 2017	21.00	100%	39,278
2016 Final Dividend – paid 15 September 2016	21.00	100%	39,235

On 8 February 2018, the Directors declared a total interim dividend for the year ending 30 June 2018 of 25 cents per ordinary share to be paid on 8 March 2018, a total estimated distribution of \$46,752,000.

Review of operations

Financial performance

The Group achieved revenues and other income of \$962 million for the half-year ended 31 December 2017, which was up \$176 million (22%) on the prior corresponding period ('pcp'). This includes other income of \$93 million which relates to the unrealised increase in the value of listed investments at the balance date as a result of the early adoption of AASB9.

The Group produced earnings before interest, tax, depreciation and amortisation (EBITDA) of \$352 million for H1 FY18 which was up \$70 million (25%) on pcp., including the \$93 million unrealised increase in the value of listed investments mentioned above and \$9 million due to the impact of the business combination of Empire Oil and Gas. Underlying EBITDA was therefore \$250 million, in line with the Group's financial guidance to the markets. This led to net profit after tax (NPAT) of \$163 million which was up \$23 million (16%) on pcp.

Included in NPAT were one-off items totalling \$35.1 million after adjusting for tax. These were made up of a \$6.4 million gain on the acquisition of Empire Oil and Gas's assets, offset by impairment charges of \$32.8 million in relation to the Yilgarn assets, \$6.4 million for goodwill in Mineral Resources Transport and \$2.3 million for MRL's investment in Empire Oil and Gas NL.

The effective tax rate during the period was 30%.

Mineral Resources Limited
Directors' report
31 December 2017

Operational performance

Mining Services & Processing

Total Mining Services & Processing revenues of \$531 million (internal and external) were \$227 million (75%) greater than pcp. EBITDA of \$130 million was \$65 million (100%) above pcp.

Increased revenue and EBITDA was primarily as a result of increased crushing, processing and mining production, driven by full period contributions of new clients' operations, Wodgina and Mount Marion mining services operations.

Mining

The Group's commodity export sales volumes in the period were as follows:

Commodity exports ('000 WMT)	H1 FY17		H1 FY18	
	Produced	Shipped	Produced	Shipped
<u>Utah Point</u>				
Iron Valley	4,337	4,209	3,996	3,058
Wodgina	-	-	2,017	1,772
Manganese	-	146	-	-
Total Utah Point	4,337	4,355	6,013	4,830
<u>KBT2</u>				
Carina & J4	2,588	2,506	2,046	1,777
Mount Marion ¹	-	-	221	201
Total KBT2	2,588	2,506	2,267	1,978
Total Iron Ore	6,925	6,715	6,042	4,835
Total Spodumene	-	-	221	201
Total DSO Lithium	-	-	2,017	1,772
Total Manganese	-	146	-	-
GRAND TOTAL	6,925	6,861	8,280	6,808
¹ Volumes produced and shipped is presented as 100% for the Mt Marion project. MRL's ownership interest in the Mt Marion project is 43.10%.				

Mineral Resources Limited
Directors' report
31 December 2017

Mining revenues of \$685 million were \$152 million (29%) greater than pcp, driven by full period of operations and exports at the Mount Marion project and Wodgina, partially offset by iron ore fines sales slowing in a heavily discounted market.

The Platts 62% Iron Ore Index (Platts) expressed in Australian dollars and adjusted for moisture is set out in the table below.

Month	Jul	Aug	Sep	Oct	Nov	Dec	H1 FY18	H1 FY17
Platts 62% Index (AU\$/wmt)	80.1	90.3	83.2	74.1	80.3	89.3	82.9	81.0

Platts averaged \$82.90/wet tonne for H1 FY18, an increase of 2.3% on pcp, reflecting global iron ore market conditions.

The Group's average iron ore price achieved for H1 FY18 was \$72.60/wet tonne reflecting a net 12.4% discount to Platts, driven by a heavily discounted market for iron ore fines products.

Decrease in iron ore's contribution to EBITDA was offset by Lithium exports undertaken for a full period contribution at both Mount Marion and Wodgina.

Cash and working capital

At 31 December 2017, the Group had net cash (cash and cash equivalents less debt) of \$94 million, which was down \$10 million from \$104 million at end June 2017 primarily from working capital outflows.

Net cash from operating activities of \$137 million in H1 FY18 was \$212 million less than EBITDA. The result was impacted by:

- income taxes of \$81.7 million due to the payment of monthly income tax instalments to the Australian Tax Office
- increases in working capital relating to Iron Ore operations of \$22.8 million and Lithium operations of \$12.1 million, offset by decreases in Mining Services of \$6.6 million
- non-cash gains on revaluations of investments and acquisitions of \$102 million.

Net cash used in investing activities in H1 FY18 was \$66.1 million (\$79.1 million in growth capital and \$10.9 million in maintenance capital of which \$19.3 million was financed through leasing arrangements and \$4.6 million from proceeds from the sale of assets). Investment in the period included ongoing development and enhancement of Lithium related processing infrastructure and in the Group's installed crushing capacity.

In addition to its period end cash holdings of \$319 million, the Group has in excess of \$300 million of undrawn debt facilities to support business development activities.

Capital management

The Group continues to maintain a strong and conservative balance sheet that provides flexibility to facilitate the growth of the business. This includes maintaining a significant cash balance to ensure that it is available for strategic investments as the opportunity arises.

A fully franked interim dividend of 25 cents per ordinary share has been declared for shareholders as at 8 February 2018, with a payment date of 8 March 2018.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial half-year.

Mineral Resources Limited
Directors' report
31 December 2017

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, unless otherwise indicated.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out in this report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to be 'C. Ellison', written over a horizontal line.

Chris Ellison
Managing Director

8 February 2018
Perth

RSM Australia Partners

Level 32 Exchange Tower, 2 The Esplanade Perth WA 6000

GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100

F +61 (0) 8 9261 9111

www.rsm.com.au

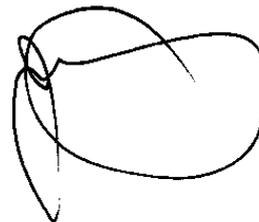
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Mineral Resources Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



RSM AUSTRALIA PARTNERS



JAMES KOMNINOS
Partner

Perth, WA
Dated: 8 February 2018

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Mineral Resources Limited

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General information

The financial statements cover Mineral Resources Limited as a consolidated entity consisting of Mineral Resources Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is Mineral Resources Limited's functional and presentation currency.

Mineral Resources Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

1 Sleat Road
Applecross WA 6153

A description of the nature of the Group's operations and its principal activities are included in the notes to the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 8 February 2018. The Directors do not have the power to amend and reissue the financial statements.

Mineral Resources Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017

		Group	
	Note	31 Dec 2017	31 Dec 2016
		\$'000	\$'000
Revenue		854,491	782,721
Other income	3	107,439	3,270
Expenses			
Changes in closing stock		21,705	11,529
Raw materials and consumables		(76,908)	(67,907)
Equipment costs		(38,309)	(17,338)
Subcontractors		(85,250)	(42,801)
Employee benefits expense		(106,897)	(99,085)
Transport and freight		(255,064)	(224,588)
Depreciation and amortisation		(59,112)	(78,161)
Impairment charges	4	(56,548)	373
Other expenses		(67,132)	(62,693)
Finance costs		(5,093)	(6,109)
Profit before tax		233,322	199,211
Income tax expense		(70,007)	(58,901)
Profit after tax for the half-year		163,315	140,310
Other comprehensive income			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Gain on asset revaluation reserve, net of tax		-	3,241
Cash flow hedges transferred to profit or loss, net of tax		-	385
Other comprehensive income for the half-year, net of tax		-	3,626
Total comprehensive income for the half-year		<u>163,315</u>	<u>143,936</u>
Profit for the half-year is attributable to:			
Non-controlling interest		(316)	(39)
Owners of Mineral Resources Limited		163,631	140,349
		<u>163,315</u>	<u>140,310</u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(316)	(39)
Owners of Mineral Resources Limited		163,631	143,975
		<u>163,315</u>	<u>143,936</u>
		Cents	Cents
Basic and diluted earnings per share		87.30	75.05

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Mineral Resources Limited
Consolidated statement of financial position
As at 31 December 2017

	Note	Group	30 June 2017
		31 Dec 2017	\$'000
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents		319,360	378,169
Trade and other receivables		118,506	93,313
Inventories		109,412	116,443
Current tax assets		31,205	-
Other		9,958	6,109
Total current assets		<u>588,441</u>	<u>594,034</u>
Non-current assets			
Receivables		272	15,350
Financial assets		146,374	54,890
Property, plant and equipment		756,914	723,732
Intangibles		73,182	75,639
Exploration & mine development		314,180	319,187
Deferred tax		42,941	51,680
Total non-current assets		<u>1,333,863</u>	<u>1,240,478</u>
Total assets		<u>1,922,304</u>	<u>1,834,512</u>
Liabilities			
Current liabilities			
Trade and other payables		172,197	164,327
Borrowings		65,700	208,443
Current tax liabilities		-	6,163
Employee benefits		29,082	32,417
Provisions		32,675	19,264
Total current liabilities		<u>299,654</u>	<u>430,614</u>
Non-current liabilities			
Borrowings		159,921	66,218
Deferred tax		159,706	142,807
Provisions		66,183	62,781
Total non-current liabilities		<u>385,810</u>	<u>271,806</u>
Total liabilities		<u>685,464</u>	<u>702,420</u>
Net assets		<u>1,236,840</u>	<u>1,132,092</u>
Equity			
Issued capital	5	505,483	502,448
Reserves		1,152	1,152
Retained profits		712,062	610,130
Equity attributable to the owners of Mineral Resources Limited		<u>1,218,697</u>	<u>1,113,730</u>
Non-controlling interest		18,143	18,362
Total equity		<u>1,236,840</u>	<u>1,132,092</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Mineral Resources Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2017

Group	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2016	502,353	382	487,055	18,864	1,008,654
Profit/(loss) after tax for the half-year	-	-	140,349	(39)	140,310
Other comprehensive income for the half-year, net of tax	-	3,626	-	-	3,626
Total comprehensive income for the half-year	-	3,626	140,349	(39)	143,936
Share issued under Dividend Reinvestment Plan	2,313	-	-	-	2,313
Acquisition of subsidiary	-	-	-	771	771
Acquisition of non-controlling interests	-	-	771	(771)	-
Dividends paid (note 6)	-	-	(39,235)	-	(39,235)
Balance at 31 December 2016	<u>504,666</u>	<u>4,008</u>	<u>588,940</u>	<u>18,825</u>	<u>1,116,439</u>
Group	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Non-controlling interest \$'000	Total equity \$'000
Balance at 1 July 2017	502,448	1,152	610,130	18,362	1,132,092
Profit/(loss) after tax for the half-year	-	-	163,631	(316)	163,315
Other comprehensive income for the half-year, net of tax	-	-	-	-	-
Total comprehensive income for the half-year	-	-	163,631	(316)	163,315
Share issued under Dividend Reinvestment Plan	3,035	-	-	-	3,035
Acquisition of non-controlling interests	-	-	-	97	97
Dividends paid (note 6)	-	-	(61,699)	-	(61,699)
Balance at 31 December 2017	<u>505,483</u>	<u>1,152</u>	<u>712,062</u>	<u>18,143</u>	<u>1,236,840</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Mineral Resources Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2017

	Group	
Note	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	845,928	685,361
Payments to suppliers and employees	(624,367)	(554,402)
	<u>221,561</u>	<u>130,959</u>
Interest received	2,021	1,515
Interest and other finance costs paid	(5,015)	(4,175)
Income taxes paid	(81,735)	(19,715)
	<u>136,832</u>	<u>108,584</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(55,131)	(64,900)
Proceeds from disposal of property, plant and equipment	4,551	7,262
Payments for exploration and evaluation	(2,315)	(38,289)
Payments for mine development	(7,845)	(25,955)
Payments for investments and subsidiaries	-	(13,825)
Amounts advanced to joint operations	-	(2,002)
Amounts advanced to other parties	-	(15,100)
Payments for intangibles	(5,374)	(3,848)
	<u>(66,114)</u>	<u>(156,657)</u>
Cash flows from financing activities		
Proceeds from borrowings	113,438	357,850
Repayment of borrowings	(181,769)	(293,398)
Dividends paid	(58,665)	(36,921)
	<u>(126,996)</u>	<u>27,531</u>
Net decrease in cash and cash equivalents	(56,278)	(20,542)
Cash and cash equivalents at the beginning of the financial half-year	378,169	407,293
Effects of exchange rate changes on cash and cash equivalents	(2,531)	1,919
	<u>319,360</u>	<u>388,670</u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Mineral Resources Limited
Notes to the consolidated financial statements
31 December 2017

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

AASB 9 Financial Instruments

The Group has elected to early adopt AASB 9 Financial Instruments as issued in July 2014. Early adoption is permitted by AASB 9 and the change in accounting policy has been applied from 1 July 2017. The Group has elected to early adopt AASB 9 as the new accounting policies provide more reliable and relevant information for users to assess the amounts, timing and uncertainty of future cash flows.

AASB 9 requires that an entity classify its financial assets as subsequently measured at either amortised cost or fair value depending on the entity's business model for managing the financial assets and contractual cash flow characteristics of the financial assets. In accordance with AASB 9, the Group has designated its investment in shares of listed corporations that were formerly designated as "available-for-sale" as "fair value through profit or loss". This results in all realised and unrealised gains and losses from the investment portfolio being recognised in profit or loss through "other income" or "other expenses" in the Statement of Profit or Loss and Other Comprehensive Income. The change in policy has been applied to investments in shares of listed corporations from the date of adoption 1 July 2017 with no restatement of comparative results. There has been no change in the carrying amount on adoption of AASB 9 to be reflected as a movement directly in equity.

The adoption of AASB 9 has no material impact on the measurement and classification of the Group's cash and cash equivalents, trade and other receivables. Under AASB 9, cash and cash equivalents, trade receivables and other receivables continue to be measured at amortised cost.

On adoption of AASB 9, the Group adopted the AASB 9 hedge accounting model which has simpler hedge accounting requirements that are intended to more closely align the accounting treatment with the risk management activities of the entity. The Group's cash flow hedge relationship for commodity prices would qualify as a continuing hedge upon the adoption of AASB 9. Accordingly, the Group does not expect a significant impact on the accounting for its hedging relationships.

Mineral Resources Limited
Notes to the consolidated financial statements
31 December 2017

Note 2. Operating segments

Business segment

The Group has identified its operating segments based on internal management reports that are reviewed by the Board, who are identified as the Chief Operating Decision Makers ("CODM") in assessing performance and in determining the allocation of resources.

The Group continues to report its business results as three operating segments being Mining Services & Processing, Mining and Central. All are operating within the resources sector of the Australian economy.

The measurement of segment results is in line with the basis of information presented to management for internal management reporting purposes and the performance of each segment is measure based on underlying Earnings before Interest and Tax ("EBIT") contribution.

The accounting policies applied for internal reporting purposes are consistent with those applied in the preparation of the financial statements.

Operating segment information

Group - 31 Dec 2017	Mining Services & Processing \$'000	Mining \$'000	Central \$'000	Inter- segment \$'000	Total \$'000
Revenue					
External sales	169,961	684,517	13	-	854,491
Intersegment sales	361,448	-	-	(361,448)	-
Total revenue	<u>531,409</u>	<u>684,517</u>	<u>13</u>	<u>(361,448)</u>	<u>854,491</u>
Other income	2,831	85	102,641	-	105,557
Expenses	(403,909)	(558,579)	(6,817)	361,448	(607,857)
Earnings before interest, tax, depreciation and amortisation	<u>130,331</u>	<u>126,023</u>	<u>95,837</u>	<u>-</u>	<u>352,191</u>
Depreciation and amortisation	(33,614)	(24,800)	(698)	-	(59,112)
Impairment charges	-	(53,277)	(3,271)	-	(56,548)
Interest income	6	243	2,031	(396)	1,884
Finance costs	(1,852)	(783)	(2,854)	396	(5,093)
Operating profit	<u>94,871</u>	<u>47,406</u>	<u>91,045</u>	<u>-</u>	<u>233,322</u>
Income tax on operating profit					(70,007)
Profit after tax					<u>163,315</u>
Assets					
Segment assets	<u>760,221</u>	<u>721,717</u>	<u>440,366</u>	<u>-</u>	<u>1,922,304</u>
Liabilities					
Segment liabilities	<u>257,349</u>	<u>264,207</u>	<u>163,908</u>	<u>-</u>	<u>685,464</u>

Mineral Resources Limited
Notes to the consolidated financial statements
31 December 2017

Note 2. Operating segments (continued)

Group - 31 Dec 2016	Mining Services & Processing \$'000	Mining \$'000	Central \$'000	Inter- segment \$'000	Total \$'000
Revenue					
External sales	201,066	532,241	49,414	-	782,721
Intersegment sales	103,134	-	-	(103,134)	-
Total revenue⁽ⁱ⁾	<u>304,200</u>	<u>532,241</u>	<u>49,414</u>	<u>(103,134)</u>	<u>782,721</u>
Other income	(141)	1,879	-	-	1,738
Expenses	(238,800)	(377,316)	10,100	103,134	(502,882)
Earnings before interest, tax, depreciation and amortisation	<u>65,259</u>	<u>156,804</u>	<u>59,514</u>	<u>-</u>	<u>281,577</u>
Depreciation and amortisation	(33,526)	(44,357)	(278)	-	(78,161)
Impairment charges	3,049	-	(2,676)	-	373
Interest income	-	27	1,841	(338)	1,530
Finance costs	(1,879)	(685)	(3,882)	338	(6,108)
Operating profit	<u>32,903</u>	<u>111,789</u>	<u>54,519</u>	<u>-</u>	<u>199,211</u>
Income tax on operating profit					(58,901)
Profit after tax					<u>140,310</u>

⁽ⁱ⁾ In the half-year ended 31 December 2016, the Group recognised revenue of \$50,000,000 arising from the Group being issued 104,166,667 shares in Pilbara Minerals Limited at \$0.48 per share in exchange for the relinquishment of the Right of First Refusal or 2.5% royalty that has been held by the Group's wholly owned Subsidiary, Wodgina Lithium Pty Ltd.

Assets					
Segment assets	<u>619,744</u>	<u>668,044</u>	<u>603,567</u>	<u>-</u>	<u>1,891,355</u>
Liabilities					
Segment liabilities	<u>239,925</u>	<u>274,961</u>	<u>260,030</u>	<u>-</u>	<u>774,916</u>

Note 3. Other income

	Group	
	31 Dec 2017 \$'000	31 Dec 2016 \$'000
Net fair value gain on investments held at fair value through profit or loss	93,468	-
Gain on bargain purchase	9,173	-
Net gain/(loss) on disposal of property, plant and equipment	2,809	(536)
Interest income	1,882	1,530
Other	107	2,276
Other income	<u>107,439</u>	<u>3,270</u>

Mineral Resources Limited
Notes to the consolidated financial statements
31 December 2017

Note 4. Impairment charges

	Group	
	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
<i>Yilgarn and Road Haulage – mine operations CGUs:</i>		
Inventory	(23,490)	-
Property, plant and equipment	(6,500)	-
Goodwill	(6,446)	-
Exploration and mine development	(16,842)	-
	<u>(53,278)</u>	<u>-</u>
<i>Other:</i>		
Inventory	-	3,049
Financial assets	(3,270)	(2,676)
	<u>(3,270)</u>	<u>373</u>
Total impairment charge	<u><u>(56,548)</u></u>	<u><u>373</u></u>

Results of impairment testing - Yilgarn and Road Haulage – mine operations CGUs

Non-financial assets are reviewed at the end of each reporting period to determine whether there is an indication of impairment. Where an indicator of impairment exists, an estimate of the recoverable amount is made.

An impairment assessment was performed on the Yilgarn cash generating unit (CGU) and Road Haulage – mine operations CGU as at balance date following the announcement of the government's decision not to grant approval to allow the Company to mine at J5 and Bungalbin East, which was considered an indicator of impairment for these CGUs.

As a result of this analysis, management recognised an impairment of \$53,278,000 in respect of the following assets relating to the Yilgarn project:

- low grade inventory (\$23,490,000) deemed uneconomically viable for sale or as blending material;
- goodwill (\$6,446,000) associated with Road Haulage – mine operations at the Yilgarn project to reflect the change in the strategic plan and the resulting reduction in the recoverable value of the goodwill; and
- a reduction in the recoverable value of property, plant and equipment (\$6,500,000) and exploration and mine development assets (\$16,842,000) to reflect the probability of changes in the production outlook while the Group considers its options for the Yilgarn region following the government's decision.

All other methodology and assumptions remained consistent with those used in the year ended 30 June 2017.

Note 5. Equity - issued capital

	Group			
	31 Dec 2017	30 June 2017	31 Dec 2017	30 June 2017
	Shares	Shares	\$'000	\$'000
Ordinary shares	187,007,210	186,813,501	510,955	507,920
Treasury shares	516,695	516,695	(5,472)	(5,472)
	<u>187,523,905</u>	<u>187,330,196</u>	<u>505,483</u>	<u>502,448</u>

Mineral Resources Limited
Notes to the consolidated financial statements
31 December 2017

Note 5. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Ordinary shares Number	Treasury shares Number	Total Number
Balance at 1 July 2016	186,829,800	-	186,829,800
Share issued for dividend reinvestment	500,396	-	500,396
Share buy-back	(516,695)	516,695	-
Balance at 30 June 2017	186,813,501	516,695	187,330,196
Share issued for dividend reinvestment	193,709	-	193,709
Balance at 31 December 2017	187,007,210	516,695	187,523,905

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

Treasury shares

Movements in treasury shares represent acquisition of the Company's shares on market to be reissued to the Company's employees from the vesting of awards and exercise of rights under the employee share-based payment plans. These re-acquired shares are disclosed as treasury shares and deducted from contributed equity.

Note 6. Equity - dividends

	31 Dec 2017		31 Dec 2016	
	Dividend per share Cents	Total \$'000	Dividend per share Cents	Total \$'000
Declared and paid during the period				
Final franked dividend	33.00	61,699	21.00	39,235
Proposed				
Interim franked dividend	25.00	46,752	21.00	39,278

Note 7. Contingent liabilities

Since the last annual report, there has been no material change in contingent liabilities.

Note 8. Business combinations

Acquisition of Empire Oil Company (WA) Limited

On 8 November 2017, the Group acquired 100% of the ordinary shares of Empire Oil Company (WA) Limited (Empire WA) and 90% of the ordinary shares of Cattamarra Farms Pty Ltd (Cattamarra Farms), a subsidiary of Empire WA, through the effectuation of a Deed of Company Arrangement (DOCA).

Mineral Resources Limited
Notes to the consolidated financial statements
31 December 2017

Note 8. Business combinations (continued)

As at 31 December 2017, the acquisition accounting balances recognised are provisional due to ongoing work finalising valuations and tax-related matters which may affect acquisition accounting entries. The provisional fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition are:

	\$'000
Assets	
Receivables	606
Property, plant and equipment	13,475
Exploration and development assets	16,274
Total assets	<u>30,355</u>
Liabilities	
Provision for rehabilitation	(6,000)
Borrowings	(15,085)
Total liabilities	<u>(21,085)</u>
Provisional fair value of net identifiable assets acquired	<u>9,270</u>
Consideration paid	-
Non-controlling interests	<u>(97)</u>
Gain on bargain purchase	<u><u>9,173</u></u>

A gain on bargain purchase arose in the business combination of Empire WA as the Group obtained control and ownership of the Red Gully Processing Facility and all of Empire WA's petroleum exploration tenure by virtue of a 100% ownership in the shares in Empire WA, without any purchase consideration being paid by the Group. This was a result of the DOCA that eventuated from Empire WA defaulting on a loan facility provided by the Company, on which Empire WA's Red Gully Petroleum assets were provided as security.

From the date of acquisition, the contribution from Empire WA to the net profit after-tax of the Group was insignificant. The 10% non-controlling interest in Cattamarra Farms, an unlisted company, has been estimated by reference to the proportionate share of the value of net identifiable assets acquired.

Direct costs relating to the acquisition totalling \$466,000 have been recognised in other expenses in the income statement for the half year ended 31 December 2017.

Note 9. Events after the reporting period

Proposed interim dividend for the year ended 30 June 2018

On 8 February 2018 the directors declared an interim fully franked dividend for the year ended 30 June 2018 of 25 cents per share to be paid on 8 March 2018, a total estimated distribution of \$46,752,000 based on the number of ordinary shares on issue as at 16 February 2018.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Mineral Resources Limited
Directors' declaration
31 December 2017

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Chris Ellison
Managing Director

8 February 2018
Perth



RSM Australia Partners

Level 32 Exchange Tower, 2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
MINERAL RESOURCES LIMITED**

We have reviewed the accompanying half-year financial report of Mineral Resources Limited which comprises the statement of financial position as at 31 December 2017, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Mineral Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Mineral Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

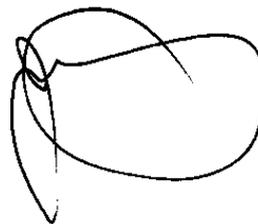
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Mineral Resources Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



RSM AUSTRALIA PARTNERS



JAMES KOMNINOS
Partner

Perth, WA
Dated: 8 February 2018