

# **Mineral Resources Limited**

**ABN 33 118 549 910**

**Annual Report - 30 June 2015**

# APPENDIX 4E

## PRELIMINARY FINAL REPORT

### 1. Company details

Name of entity:	<b>Mineral Resources Limited</b>
ABN:	33 118 549 910
Reporting period:	<b>Year ended 30 June 2015</b>
Previous corresponding period:	Year ended 30 June 2014

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### 2. Results for announcement to the market

				<b>\$'000</b>
Revenue from ordinary activities	down 31.6%	to		\$ 1,299,063
Normalised profit after tax (before non cash impairment charges and adjustments for Minerals Resource Rent Tax)	down 55.2%	to		\$ 108,887
Profit from ordinary activities after tax <sup>(i)</sup>	down 94.6%	to		\$ 12,544
Profit for the year attributable to the owners of Mineral Resources Limited	down 94.5%	to		\$ 12,814

#### *Dividends*

	Amount per security	Franked amount per security
Interim dividend	7.500cents	7.500cents
Final dividend	15.000cents	15.000cents
Total dividend	22.500cents	22.500cents

#### *Comments*

Normalised profit for the Group after providing for income tax amounted to \$108,887,000 (30 June 2014: \$243,271,000).

<sup>(i)</sup> Profit from ordinary activities after tax includes impairment charges of \$31,181,000 (after tax effect) and reversal of \$65,162,000 in Deferred tax assets due to the abolition of the Mineral Resources Rent Tax ("MRRT").

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### 3. Net tangible assets

	Reporting period	Previous corresponding period
Net tangible assets per ordinary security	536.99 cents	574.95 cents

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#### **4. Dividends**

*Current period*

	Amount per security	Franked amount per security
Interim dividend	7.500cents	7.500cents
Final dividend	15.000cents	15.000cents
Total dividend	22.500cents	22.500cents

Record date for determining entitlements to the final dividend will be 4 September 2015 and the final dividend will be paid on 8 October 2015.

*Previous corresponding period*

	Amount per security	Franked amount per security
Interim dividend	30.000cents	30.000cents
Final dividend	32.000cents	32.000cents
Total dividend	62.000cents	62.000cents

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#### **5. Dividend reinvestment plans**

*The following dividend or distribution plans are in operation:*

The record date for determining entitlements to the final dividend will be 4 September 2015 and paid on 8 October 2015. The Group has a dividend reinvestment plan (“DRP”) in place and it will be available to shareholders for the 2015 final dividend. Directors have determined that the DRP shares allocated in the payment of this dividend be priced at the volume weighted average price (“VWAP”) for fully paid Mineral Resources Limited (“MRL”) shares sold on ASX in the five business days following the record date, rounded to the nearest whole cent. No discount will be applied. The DRP will not be underwritten. Shares issued under the DRP will rank equally in all respects with existing fully paid MRL shares and will be credited to Participants’ shareholding. Full particulars of the operation of the DRP are available on the Group’s website, [www.mineralresources.com.au](http://www.mineralresources.com.au).

The last date for receipt of election notices for the dividend or distribution plans: 8 September 2015.

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#### **6. Audit qualification or review**

The financial statements have been audited and an unqualified opinion has been issued.

**Mineral Resources Limited**  
**Corporate directory**  
**30 June 2015**

Directors	Peter Wade Chris Ellison Kelvin Flynn James McClements (appointed on 29 May 2015) Joe Ricciardo
Company Secretary	Bruce Goulds
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: + 61 8 9323 2000 F: + 61 8 9322 2033 <a href="http://www.computershare.com/au">www.computershare.com/au</a>
Auditor	RSM Bird Cameron Partners 8 St Georges Terrace Perth WA 6000 P: + 61 8 9261 9100 F: + 61 8 9261 9111 <a href="http://www.rsmi.com.au">www.rsmi.com.au</a>
Bankers	National Australia Bank 100 St Georges Terrace Perth WA 6000 <a href="http://www.nab.com.au">www.nab.com.au</a>
Stock exchange listing	Mineral Resources Limited shares are listed on the Australian Securities Exchange (ASX code: MIN)
Website	<a href="http://www.mineralresources.com.au">www.mineralresources.com.au</a>

## **Mineral Resources Limited**

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**30 June 2015**

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#### **General information**

The financial statements cover Mineral Resources Limited as a Group consisting of Mineral Resources Limited (Company) and the entities it controlled at the end of, or during, the Financial Year (Group). The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

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

1 Sleaford Road  
Applecross WA 6153

A description of the nature of the Group's operations and its principal activities are included in the Directors' Report.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 20 August 2015. The directors do not have the power to amend and reissue the financial statements.

**Mineral Resources Limited**  
**Directors' Report**  
**30 June 2015**

**Directors' Report**

The Directors present their report, together with the financial statements for the Group, for the year ended 30 June 2015.

**Directors**

The following persons were directors (Directors/the Board) of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Peter Wade  
Chris Ellison  
Mark Dutton (resigned on 20 November 2014)  
Kelvin Flynn  
James McClements (appointed on 29 May 2015)  
Joe Ricciardo

**Principal activities**

During the financial 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 year were as follows:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Final dividend for the year ended 30 June 2014 (2014: 30 June 2013) of 32.0 cents (2014: 32.0 cents) per ordinary share fully franked at a tax rate of 30% paid on 10 October 2014 (2014: 25 October 2013)	59,701	59,516
Interim dividend for the year ended 30 June 2015 (2014: 30 June 2014) of 7.5 cents (2014: 30.0 cents) per ordinary share fully franked at a tax rate of 30% paid on 23 April 2015 (2014: 10 April 2014)	<u>14,048</u>	<u>55,894</u>
	<u><u>73,749</u></u>	<u><u>115,410</u></u>

On 20 August 2015, the Directors declared a final dividend for the year ended 30 June 2015 of 15.0 cents per ordinary shares to be paid on 8 October 2015, a total estimated distribution of \$28,145,000 based on the number of ordinary shares on issue as at 20 August 2015.

**Mineral Resources Limited  
Directors' Report  
30 June 2015**

**Review of operations**

The Group achieved revenues of \$1.3 billion for the year ended 30 June 2015 (the 2015 Financial Year), which were \$600 million less compared with the previous corresponding period.

In the 2015 Financial Year the Group delivered record commodity exports, however mining revenues were \$400 million lower compared with the previous year due to substantially lower headline iron ore prices, as evidenced by the Platts 62%Fe Index iron ore price falling from US\$95.00 per tonne in early July 2014 to a low of US\$47.50 per tonne in early April 2015. The price of iron ore in April 2015 was at the time, the lowest level recorded since the inception of the Platts Index.

The 2014 Financial Year revenues included income from the Christmas Creek processing plants which were sold to FMG in that year and were impacted by the timing of EPC construction activity.

The Group produced earnings before interest, tax, depreciation and amortisation (EBITDA) of \$283 million for the 2015 Financial Year, \$161 million less compared with the previous corresponding period, after excluding \$110 million of one-off earnings in 2014 from the CML and FMG exits. The other significant issue affecting EBITDA in 2015 was the benefit of \$167 million of mining cash cost savings being offset by a \$369 million impact from lower achieved iron ore prices.

Depreciation and amortisation of \$127 million in 2015 decreased by \$70 million compared with the previous corresponding period, principally due to the closure of the Phils Creek Project and the 2014 sale of the Christmas Creek processing plants to FMG.

Net interest cost decreased by \$8 million in the year due to the major debt repayment program in the prior year and the repayment of \$34 million of debt in 2015.

Reported net profit after tax of \$13 million in the 2015 Financial Year included two significant one-off, non-cash items:

- a tax expense on the reversal of the Minerals Resource Rent Tax (MRRT) deferred tax asset of \$65 million, previously brought to account on the introduction of legislation in 2012; and
- a \$31 million after tax impairment which primarily relates to the carrying value of manganese stock.

The balance sheet continued to benefit from the Group's cash generation. The net cash position was \$118 million at 30 June 2015, which is \$37 million or 46% higher compared with the previous corresponding date. This result was achieved whilst continuing to fund ongoing capital expenditure and research and development programs.

In line with the Group Capital Allocation Policy, the Directors have agreed that the cash position should be retained in the Company to maintain a strong and conservative balance sheet that provides flexibility to facilitate growth whilst protecting the business from the financial risks inherent in cyclical business segments such as iron ore.

In line with the Directors' view that dividends continue to be an important component of total shareholder returns, after taking account of economic conditions and the Group's future capital expenditure and business development requirements, the Directors have resolved to distribute in the order of 50% of after tax earnings (after impairment charges) to shareholders as dividends for the 2015 Financial Year. A fully franked final dividend of 15.0 cents per share has therefore been declared for shareholders. This final dividend, together with the interim dividend of 7.5 cents per share, makes a total fully franked dividend for the 2015 Financial Year of 22.5 cents per ordinary share.

***Mining Services and Processing***

Mining Services and Processing revenues of \$570 million for the 2015 Financial Year were \$381 million lower compared with the previous corresponding period.

In line with its one mine strategy in the Pilbara, the Group closed the Poondano, Phil's Creek and Spinifex Ridge projects and opened Iron Valley in 2015. Although Iron Valley more than compensated for the closed mines, Poondano and Spinifex Ridge formed part of the Mining and Processing segment and as such, year on year revenue was \$175 million lower.

2015 revenues were also impacted by the 2014 sale of the Christmas Creek crushing plants and the timing of EPC construction activity.

**Mineral Resources Limited**  
**Directors' Report**  
**30 June 2015**

Mining Services and Processing EBITDA of \$237 million in the 2015 Financial Year was \$19 million lower compared with the previous corresponding period, after excluding 2014 one-off earnings from the CML and FMG exits. The principal reasons for the reduction were the implementation of the one mine strategy in the Pilbara, the 2014 Financial Year sale of the Christmas Creek processing plants, partially offset by EPC Construction profits taken on the Nammuldi Below Water Table Project

A volume enhancement program for existing contracting clients produced significant benefits in terms of both additional crushed volumes and contract retention, with a number of existing contracts renewed for periods of up to 10 years as well as continuation of multiple value-adding crushing support contracts across a range of independent locations in Western Australia and the Northern Territory.

Having successfully delivered the commissioning and handover phase of the Nammuldi Below Water Table project in April 2015, the balance of the construction margin was taken to profit in the second-half of 2015.

PIHA continued to provide a solid contribution to earnings with a range of new and improved products and systems for the oil and gas, construction and mine infrastructure sectors.

PMI Site Services continued its strategy of leveraging accommodation services for MRL's own operations to provide services for external customers. The contribution to earnings in 2015 was boosted by an increase in camp utilisation levels by external customers.

***Mining***

Commodity export sales volumes ('000 wet metric tonnes) are as follows:

	H1 FY14	H2 FY14	Total FY14	H1 FY15	H2 FY15	Total FY15
Iron Valley	-	-	-	823	2,153	2,976
Phil's Creek	1,721	2,289	4,010	1,862	173	2,035
Spinifex Ridge	653	737	1,390	363	22	385
Poondano	319	161	480	2	-	2
Carina	2,376	2,177	4,553	2,435	2,472	4,907
<b>Total Iron Ore</b>	<b>5,069</b>	<b>5,364</b>	<b>10,433</b>	<b>5,485</b>	<b>4,820</b>	<b>10,305</b>
Manganese	-	-	-	315	-	315
<b>Total Commodity Exports</b>	<b>5,069</b>	<b>5,364</b>	<b>10,433</b>	<b>5,800</b>	<b>4,820</b>	<b>10,620</b>

Record total commodity export tonnes for the 2015 Financial Year of 10.6 million wet metric tonnes were 0.2 million or 2% higher compared with the previous corresponding period. The Group exported 10.3 million wet metric tonnes of iron ore (9.9 million recorded in the Mining Segment) and 0.3 million wet metric tonnes of manganese.

The Iron Valley Project was developed on schedule and on budget during the first-half of the 2015 Financial Year and ramped up to the planned initial production rates in the second-half. Almost 3 million wet metric tonnes were exported from Iron Valley in the year, including 2.3 million tonnes of lump product which commanded a price premium compared with both Iron Valley fines product and the headline 62%Fe iron ore index price.

The Carina operations achieved a record 4.9 million wet metric tonnes of exports in the 2015 Financial Year, an increase of 0.4 million or 8% compared with the previous corresponding period.

The Group's average achieved iron ore price for the 2015 Financial Year was \$74 CFR per wet metric tonne, which was 34% lower compared with the average achieved price in the previous corresponding period. This reflects the impact of significantly lower global iron ore prices, partially offset by the appreciation of the US dollar. For July 2015, the Group achieved an average iron ore price of \$68 CFR per wet metric tonne.

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Mining Segment EBITDA for the 2015 Financial Year was \$54 million, which was \$140 million lower compared with the previous corresponding period. Segment cash cost savings of \$199 million together with iron ore volume growth of \$31 million only partially offset the \$369 million impact of lower achieved iron ore prices. All iron ore exports were delivered at positive EBITDA in the year.

The Group continued to focus on operating costs and undertook a number of cost reductions and efficiency enhancement initiatives during the year. Mining segment cash costs declined significantly in 2015 as a result of operating efficiency measures along with the indirect impact of external factors such as foreign exchange movements and international oil price movements. The reduction in the cost base has assisted in the continued cash positive result from the Mining segment. In July 2015, total CFR cash costs were \$58 per wet metric tonne.

The Group also pursued opportunistic sales of product from stock during the 2015 Financial Year. A total of 0.3 million wet metric tonnes of manganese were sold during the first-half. Although this sale resulted in a small accounting loss, it recycled \$42 million of working capital to cash. During the second-half, the Group entered into a fixed price contract to supply 1 million wet metric tonnes of Iron Valley fines to secure a positive cash margin. The first exports were shipped on schedule in June with the remainder scheduled to be shipped during the first-half of the 2016 Financial Year.

As part of the Yilgarn development strategy, approvals for the J4 mine were finalised in the second-half of the 2015 Financial Year and construction of the incremental site infrastructure commenced accordingly. The target for first ore is Q3 in the 2016 Financial Year and it is timed to utilise capacity as it becomes available at the Carina central processing infrastructure hub.

Further to the approval of J4, the Group received the 2015 AMEC Environment Award for its biodiversity modelling of the Helena and Aurora Ranges. This area is adjacent to the Carina mine and relevant to the Group's J5 and Bungalbin East mining applications which are subject to a Public Environmental Review (PER) process under Part IV of the Environmental Protection Act 1986. The scope of the PER is in the process of being finalised with the EPA and the completed PER is expected to be published for public review in the 2016 Financial Year.

***Cash and working capital***

The Group's balance sheet continues to benefit from the significant cash generation over the past two years. As at 30 June 2015, the Group had net cash of \$118 million which is a \$37 million or 46% improvement on the net cash position at the end of the 2014 Financial Year and a \$400 million improvement on the net cash position at the end of the 2013 Financial Year.

Cash generation in 2015 has allowed for the continuation of the Group's capital expenditure and research and development programs. Capital expenditure in the 2015 Financial Year totalled \$120 million, which was \$64 million less compared with the previous corresponding period. The majority of 2015 investment was focussed on Build, Own, Operate (BOO) Crushing Plant for major client contracts, development of the Iron Valley mine site, and Rolling Stock for the Yilgarn mine operation to reduce external hire charges.

### ***Capital Allocation Policy***

Capital allocation is a critical component of the Group's growth strategy decision making process in an environment where multiple opportunities compete for scarce capital. The Group's capital allocation process therefore needs to ensure resources are allocated to the best use and maximises shareholder value for the long-run. To achieve this objective, the Group uses a number of assessment approaches to evaluate competing project opportunities against a suite of financial alternatives. This ensures that alternative uses of shareholder capital have been rigorously evaluated.

The capital allocation assessment processes and procedures are encapsulated within the Group's Capital Allocation Policy.

The Policy contains a set of the principles used as the framework for growth, two of which are particularly relevant to the current economic cycle and this report. These are as follows:

- The Group is able to maintain a strong and conservative balance sheet that provides the flexibility to facilitate growth whilst protecting the business from the financial risks inherent in cyclic business segments such as bulk commodities, particularly iron ore.
- Excess free cash is returned to shareholders when the following environment exists:
  - the Group's cash balance is significantly above its future needs;
  - external debt has been repaid;
  - the business environment does not indicate a stable or growth trend; and
  - there are a limited number of potential projects which can foreseeably meet the Group's growth targets.

Further detailed commentary on the Capital Allocation Policy will be provided with the 2015 full Annual Report due for publication in September 2015.

### ***Future development opportunities***

The Group continues to be of the view that both the Mining Services and Processing and Mining divisions have significant opportunities in the bulk commodity markets (including iron ore) and expect that the sector will provide further opportunities that suit the business model.

One of the key growth focus areas within the Group is the development of innovative transport and materials handling infrastructure services for customers which are capable of providing stable long-term revenues regardless of the economic cycle.

Accordingly planning and design work for a range of new Mining Services initiatives, including mining equipment improvements, ore beneficiation design work and the innovative Bulk Ore Transport System (BOTS) Project, continued during the period with a clear path to implementation.

Subsequent to the end of the 2015 Financial Year, the Group and its partner, Neometals, signed a conditional memorandum of understanding (MOU) in relation to an equity investment and offtake arrangement with China's second largest lithium producer, Jiangxi Ganfeng Lithium Co. Ltd, for the Mount Marion Lithium Project.

The MOU enables Jiangxi Ganfeng Lithium Co. Ltd to acquire 25% of Neometals Limited's shareholding in the jointly owned entity Reed Industrial Minerals Pty Ltd and enter into an offtake agreement for 100% of the spodumene production. The Mount Marion Project is fully permitted for mine development. Development plans for the project are being prepared by the Group and subject to a satisfactory outcome on due diligence and associated approvals, the Group will build, own and operate the mining, crushing and beneficiation infrastructure and equipment and supply this equipment and services on commercial terms. At this stage, first concentrate production is targeted to commence in 2016.

**Mineral Resources Limited**  
**Directors' report**  
**30 June 2015**

**Significant changes in the state of affairs**

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

**Matters subsequent to the end of the financial year**

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2015 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.

**Likely developments and expected results of operations**

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this report as the Directors believe it would be likely to result in unreasonable prejudice to the Group.

**Environmental regulation**

The Group is subject to and is compliant with all aspects of environmental regulation of its exploration and mining activities. The directors are not aware of any environmental law that is not being complied with.

**Information on directors**

Name:	<b>Peter Wade</b>
Title:	Non-Executive Chairman
Qualifications:	BE (Hons), LGE
Experience and expertise:	Peter has over 40 years of experience in engineering, construction, project management, and mining and infrastructure services. He started his career with the NSW Public Service managing the construction of significant infrastructure projects in NSW including the Port Kembla coal loader and the grain terminals at Newcastle and Wollongong and was also the Deputy Director for the Darling Harbour Redevelopment construction project. Following his period of employment with the NSW Public Service, Peter joined the executive team of the Transfield Group. Throughout the 1980s and 1990s he was General Manager of Sabemo Pty Ltd, Transfield Construction Pty Ltd, and Transfield Power Technologies and subsequently became Transfield Chief Operations Officer (Southern). During this period Peter was responsible for significant build, own, operate projects including the Melbourne City Link, the Airport Link, the Northside Storage Tunnel and the Collinsville and Smithfield Power Plants. Peter became Managing Director of Crushing Services International Pty Ltd and PIHA Pty Ltd in 1999, and subsequently Process Minerals International Pty Ltd in 2002 (now wholly owned subsidiaries of Mineral Resources Limited). He managed the companies through a sustained period of growth and development prior to the formation and listing of Mineral Resources Limited in 2006 at which time he was appointed Managing Director of the Group. He was subsequently appointed Executive Chairman in 2008 and Non-Executive Chairman in 2012.
Other current directorships:	Non-Executive Chairman of Global Construction Services Ltd (ASX:GCS)
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of Board of Directors
Interests in shares:	1,416,162
Interests in options:	None

**Mineral Resources Limited**  
**Directors' report**  
**30 June 2015**

**Name:** **Chris Ellison**  
**Title:** Managing Director  
**Experience and expertise:** Chris is the founding shareholder of each of the three original subsidiary companies of Mineral Resources Limited (Crushing Services International Pty Ltd, PIHA Pty Ltd and Process Minerals International Pty Ltd) and has over 36 years of experience in the mining contracting, engineering and resource processing industries. In 1979 Chris founded Karratha Rigging and was Managing Director until its acquisition by Walter Wright Industries in 1982. Chris was subsequently appointed as the General Manager, Walter Wright Industries for the Western Australia and Northern Territory regions. In 1986 Chris founded Genco Ltd and following two years of considerable growth, Genco Ltd merged with the Monadelphous Group in 1988. In September 1988 Receivers and Managers were appointed to the Monadelphous Group. At this time, Chris was appointed the Managing Director and under his careful management, the group successfully traded out of its financial difficulties and eventually relisted on the ASX in late 1989. In 1992 Chris founded PIHA Pty Ltd, a company focused on the provision of specialised pipe lining and general infrastructure.

**Other current directorships:** Director of Mesa Minerals Limited (ASX:MAS)  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Managing Director  
**Interests in shares:** 24,233,840  
**Interests in options:** None

**Name:** **Mark Dutton** (resigned on 20 November 2014)  
**Title:** Independent Non-Executive Director  
**Qualifications:** MA Cantab, ACA ICAEW  
**Experience and expertise:** Mark has over 18 years of experience acting as a non-executive director of a range of growth businesses across Europe, Asia and Australia. He started his career at Price Waterhouse in England in 1991 where he qualified as a chartered accountant, subsequently working in Moscow in their Corporate Finance division. Mark is a member of the Institute of Chartered Accountants of England & Wales and holds an MA in Management Studies and Natural Sciences from the University of Cambridge, England. Mark has worked in the private equity industry since the mid-1990s. He started with BancBoston Capital in the UK before being appointed Managing Director Asia-Pacific. In 2003, he joined Foundation Capital in Perth to manage their later-stage investment fund. He is presently the co-founder and a director of Banksia Capital, a private equity manager focussed on Western Australia.

**Other current directorships:** Pioneer Credit Limited (ASX:PNC)  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Chairman of Audit Committee, Member of Remuneration Committee and Nominations Committee  
**Interests in shares:** 15,000  
**Interests in options:** None

**Mineral Resources Limited**  
**Directors' report**  
**30 June 2015**

**Name:** **Kelvin Flynn**  
**Title:** Independent Non-Executive Director  
**Qualifications:** B Com, CA  
**Experience and expertise:** Kelvin has over 25 years of corporate experience in leadership positions in Australia and Asia, having held the position of Executive Director/Vice President with Goldman Sachs and Managing Director of Alvarez & Marsal in Asia. Kelvin is a qualified Chartered Accountant with significant investment banking and corporate advisory experience including private equity and special situations investments into the mining and resources sector. He has also worked in complex financial workouts, turnaround advisory and interim management. Kelvin is the founder and currently Managing Director and Head of Private Equity at Sirona Capital.  
**Other current directorships:** Mutiny Gold Limited (ASX:MYG)  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Chairman of Remuneration Committee, and appointed Chair of the Audit Committee and Nominations Committee on 20 November 2014.  
**Interests in shares:** None  
**Interests in options:** None

**Name:** **James McClements** (appointed on 29 May 2015)  
**Title:** Independent Non-Executive Director  
**Qualifications:** B Econ (Hons)  
**Experience and expertise:** James has 30 years' of experience as a natural resources sector banker in Australia, Canada and the USA. He was raised and educated in the Pilbara region of Western Australia and began his professional career with BHP Limited before joining Standard Chartered Bank in Perth and N.M. Rothschild & Sons in Sydney then Denver. James also spent 11 years in the USA and co-founded Resource Capital Funds (RCF) during that time. James is currently the Managing Partner of RCF and has extensive Board experience having served as a Director of 12 RCF portfolio companies.  
**Other current directorships:** Non-Executive Director of Ascot Resources Ltd (ASX:AZQ)  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Member of Audit Committee, Remuneration Committee and Nominations Committee  
**Interests in shares:** None  
**Interests in options:** None

**Name:** **Joe Ricciardo**  
**Title:** Independent Non-Executive Director  
**Qualifications:** Bachelor Applied Science (Mech Eng)  
**Experience and expertise:** Joe has over 36 years of experience in feasibility studies, design, construction, maintenance and operation of mineral processing facilities and associated infrastructure. In January 1986, he became the founding member and managing director of JR Engineering Services Pty Ltd until its acquisition by the Downer EDI/Roche Group in 2001. Joe continued to lead the company, Roche Mining (JR) Pty Ltd in the capacity of general manager and director up to April 2006. During his 20 year stewardship of JR, the company consistently grew to become a successful and major engineering services provider to the resources and mineral processing industry. Joe's experience covers the commodities of gold, nickel, copper, lead, zinc, iron ore, coal, mineral sands, tantalum and talc for both major and junior mining companies. Joe is currently the Non-Executive Chairman of GR Engineering Services Limited (ASX:GNG), a company that he founded in October 2006 and which is a highly recognised Perth based engineering design and construction contractor servicing the local and international mineral processing industry.  
**Other current directorships:** Non-Executive Chairman of GR Engineering Services Limited (ASX:GNG)  
**Former directorships (last 3 years):** None  
**Special responsibilities:** Member of Audit Committee, Remuneration Committee and Nominations Committee  
**Interests in shares:** 1,067,749  
**Interests in options:** None

**Mineral Resources Limited**  
**Directors' report**  
**30 June 2015**

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

"Former directorships (last 3 years)" quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

**Company Secretary**

**Bruce Goulds** (BBus, Grad Dip Management, LLB (Hons)) has over 30 years of finance and commercial experience in various listed and unlisted corporations including as Commercial Manager within Brambles Industries, Financial Controller and Company Secretary of Cockburn Corporation Limited and Commercial Manager for the Australasian operations of international mining equipment manufacturers Svedala Industrier, Metso Minerals and Sandvik. In 2005, Bruce joined PIHA Pty Ltd, Crushing Services International Pty Ltd and Process Minerals International Pty Ltd as Group Finance Manager. In 2006, he was appointed the inaugural CFO and Company Secretary of Minerals Resources Limited on its listing on ASX. Bruce is a Fellow Certified Practising Accountant (CPA), a Fellow of the Institute of Chartered Secretaries and a Member of the Australian Institute of Company Directors.

**Meetings of directors**

The number of meetings of the Board and Board Committees held during the year ended 30 June 2015, and the number of meetings attended by each Director were:

	Full Board		Audit Committee		Remuneration Committee		Nominations Committee	
	Attended	Held while in Office	Attended	Held while in Office	Attended	Held while in Office	Attended	Held while in Office
Peter Wade	11	11	n/a	n/a	n/a	n/a	n/a	n/a
Chris Ellison	11	11	n/a	n/a	n/a	n/a	n/a	n/a
Mark Dutton *	5	5	1*	1	1*	1	1*	1
Kelvin Flynn	11	11	3	3	2	2	2	2
James McClements **	2	2	**	**	**	**	**	**
Joe Ricciardo	11	11	3	3	2	2	2	2

\* Resigned on 20 November 2014

\*\* Appointed on 29 May 2015

Board Committee meetings are convened as required.

## **Remuneration Report (audited)**

### **1.0 Introduction**

The aim of this report is to provide clarity and insight to shareholders into the Board's decisions on how Executive Remuneration is structured to remunerate and reward executives to implement the overall business strategy.

The Board strives to align Executive Remuneration with shareholder expectations and engages with shareholders and proxy advisors to ensure their expectations are taken into consideration when planning for the future.

The 2015 Financial Year has seen significant volatility in iron ore related industries and, not dissimilar to other businesses, MRL's shareholders have felt the impact of this instability through share price movements and reduced earnings. Despite a difficult year, executives remain fully focused on MRL's business strategy.

Executives are keenly aware that their remuneration is supported by business performance. In response to the need for constraint in this difficult market, a number of executives have agreed to reduce their remuneration packages by taking significant cuts in base salary. This is further supported by the Committee's decision to suspend the operation of all Incentive Plans for the 2015 Financial Year.

The structure of Executive Remuneration remains a key focus of the Board to ensure alignment with the dynamic nature of the MRL business as it grows to achieve the corporate vision, and to maintain alignment with the expectations of shareholders, the Group and its employees.

In the spirit of leading the Group towards managing its costs in the current difficult economic environment, the Managing Director has reduced his future fixed remuneration by 20% and forfeited his entitlement to the Short Term Incentive (STI) plan and Long Term Incentive (LTI) plan. Other Key Management Personnel (KMP) have likewise reduced their fixed remuneration by up to 20%.

Remuneration shown in this Report has been audited as required under section 308 (3C) of the Corporations Act 2001 (Cth.). This Report forms part of the Directors' Report; details remuneration arrangements in place for KMP, and provides specific detail required by the Corporations Act.

### **1.1 Group KMP**

The Group's KMP for the 2015 Financial Year are as follows:

<b>(i) Non-Executive Directors</b>	
Peter Wade Mark Dutton Kelvin Flynn James McClements Joe Ricciardo	Non-Executive Chairman Independent Non-Executive Director (resigned 20 November 2014) Independent Non-Executive Director Independent Non-Executive Director (appointed 29 May 2015) Independent Non-Executive Director
<b>(ii) Executive Director</b>	
Chris Ellison	Managing Director
<b>(iii) Other Key Management Personnel</b>	
Bob Gavranich David Geraghty Bruce Goulds Jarrod Seymour Steve Wyatt	Executive General Manager PIHA Executive General Manager Process Minerals International (PMI) Chief Financial Officer/Company Secretary Chief Operating Officer Executive General Manager Crushing Services International (CSI)

## 2.0 Remuneration Governance

The Board is responsible for ensuring that remuneration arrangements for the Group are aligned with the overall business strategy and shareholder interests. The role of the Remuneration Committee is to make recommendations to the Board on KMP remuneration arrangements, awards under the LTI plan which includes entitlements for KMP (excluding Non-Executive Directors) and approves the level of the STI plan which includes entitlements for senior managers within the business and KMP (excluding Non-Executive Directors).

The Remuneration Committee meets regularly throughout the year. Where management input is required, attendance is by invitation. The Directors' Report includes a table of Remuneration Committee meetings and attendance for the 2015 Financial Year.

The Remuneration Committee is made up of the following Non-Executive Directors:

Kelvin Flynn Mark Dutton James McClements Joe Ricciardo	Committee Chair (appointed Chair on the resignation of Mark Dutton on 20 November 2014) Committee Member (Chair until resignation as a Director on 20 November 2014) Committee Member (appointed 29 May 2015) Committee Member
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## 3.0 Remuneration design

The Board, in designing remuneration arrangements, is mindful of the varying circumstances of executives. With this in mind, a system has been created that aligns individuals' performance with improvement in shareholder value.

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for executives. Committee members have evaluated the market competitive frameworks used by ASX 200 companies, supported by a detailed market review in the 2014 Financial Year, and crafted the compensation framework to reflect both current market practice and MRL's particular requirements.

As the Group's performance depends on the quality of its executives, the remuneration philosophy is designed to attract, motivate and retain high performing people who are aligned and passionate about the dynamic nature of MRL's business, as we build and grow to achieve our vision. The Board is committed to driving alignment between the remuneration arrangements and the expectations of shareholders, the Company and employees.

The remuneration philosophy aims to reward executives fairly and responsibly in line with the Australian market and ensure that the Group:

- provides competitive rewards, generally targeting between the 62nd and 75th market percentile;
- sets demanding levels of performance which are clearly linked to remuneration;
- structures remuneration at a level that reflects executives' duties and accountabilities and is competitive within Australia and, for certain roles, internationally;
- aligns LTI and STI plans with the creation of value for shareholders; and
- Complies with applicable legal requirements and appropriate standards of governance.

A summary of MRL's Executive Remuneration policy is as follows:

<b>Attracting and retaining talented and qualified executives</b>	<b>Encouraging executives to strive for superior performance</b>	<b>Aligning executive and shareholder interests</b>
Remuneration is market related (targeting between the 62 <sup>nd</sup> and 75 <sup>th</sup> percentile of relevant market data).	Significant portion of remuneration is 'at risk' under STI and LTI plans <sup>(1)</sup> . Value is derived for executives by meeting personal and corporate goals, which are assessed annually.	The LTI plan is provided through awarding MRL shares, which encourages delivery of an absolute improvement in shareholder value and also focuses executives on key non-financial value drivers such as safety performance <sup>(1)</sup> .

<sup>(1)</sup> Non-Executive Directors are not eligible for awards under the STI or LTI plans.

Executive Remuneration arrangements at MRL are made up of the three components set out below.

### **3.1 Fixed Remuneration**

Executives are provided a competitive fixed remuneration element based on criticality of role, market comparator data and individual skills and experience. Fixed remuneration consists of base pay, superannuation and fixed non-monetary benefits. Executives may receive their fixed remuneration in the form of cash or other benefits (for example motor vehicles) where it does not create any additional costs to the Group and provides additional value to the executive.

Fixed remuneration is reviewed annually by the Remuneration Committee, based on general economic conditions, individual and business performance, and comparable market remuneration.

Due to challenging market conditions arising from current iron ore prices, the Group focused heavily on decreasing costs over the 2015 Financial Year. In keeping with this focus, executive fixed remuneration (salary and fees, non-financial benefits and superannuation) was not increased during the 2015 Financial Year.

To further set the tone and commitment to reducing costs within the business, the Managing Director and Other KMP have reduced their fixed remuneration by up to 20% with effective from 1 July 2015.

### **3.2 Short Term Incentives (STI)**

The Board has elected to suspend the STI plan for the 2015 Financial Year and will continue to monitor business conditions in the 2016 Financial Year. In addition, the Managing Director returned his full 2014 Financial Year STI to the business and has elected not to participate in the STI plan in the future.

The STI is a feature of MRL's Remuneration and Benefits structure for predetermined levels within the organisation. The intent of the STI is to provide a financial incentive to staff in roles that have the capacity to drive and influence performance and to deliver agreed outcomes that increase shareholder value.

The STI is performance based and incentives are available for individuals based on the positive achievement of individual's KPIs linked to personal performance. In addition, the Board believes that the overall performance of executives is fundamental to the success of business outcomes; the final award of STI is therefore moderated by the Board depending on the overall performance of the business.

The STI has the following key components:

- Performance measures are particular to each individual and have been established by taking into account the Group's overall short term financial and operational performance, operational performance of individual business areas and personal performance.
- The system is based on an annual cycle (Financial Year) and participants are invited to participate each year; participation is not assured.

The STI is cash settled and paid after the Group posts its full year results (in August of each year).

STIs are awarded for personal as well as team performance. The Group sets stretch operational and financial targets for the award of STIs. These targets are chosen to suit the individual executive's roles and responsibilities and ensure the delivery of outcomes and behaviours that provide a safe workplace and delivers agreed short-term personal and corporate goals. STI targets are proposed by the Remuneration Committee and are approved annually by the Board to ensure they align with the Group's strategy for the Financial Year.

The Board and Remuneration Committee believe the Group's targets set out in the STI will help drive the organisation to achieve its shorter term milestones that, in turn, provide the foundations for long term growth and thus, greater shareholder wealth.

In the 2015 Financial Year, the STI measures were focused on safety, production / export volumes, production costs and business efficiency within the individual's area of influence, overlaid by a reflection of corporate performance as measured for LTI. Although executives met the majority of the STI targets set by the Board for the STI plan, due to the tough economic environment our industry is currently experiencing and the impact this has had on shareholder value, the Board in its absolute discretion suspended payments of STI awards in 2015 for all participants.

### **3.3 Long Term Incentives (LTI)**

MRL introduced its LTI plan in the 2014 Financial Year with an aim to retain quality people in senior positions in the business, reward ongoing, long term performance and in turn, create greater shareholder wealth. In line with ASX Corporate Governance Guidelines and general best practice, Non-Executive Directors are not eligible for the LTI plan. As noted in the introduction to this Report, the Managing Director has elected not to participate in the LTI plan with effect from the 2015 Financial Year.

LTI invitations and awards are made annually and eligibility to an LTI award is subject to a number of vesting conditions, as set out below. To drive longer term performance and retention of LTI participants, a three year vesting period applies to the plan.

Earned LTIs at MRL are awarded as Performance Rights. A Performance Right (PR) presents a right to receive a MRL share, subject to the achievement of predetermined conditions.

The LTI has been designed with the following key components:

- 1) Participants are invited to participate each year and there is no guarantee of their ongoing participation in the LTI plan.
- 2) Performance Rights consist of MRL shares issued at no cost to the participant based on an award value approved by the Remuneration Committee.
- 3) Calculation of each individual's entitlement is based on the entitlement value approved by the Remuneration Committee, divided by the 5 day market price Volume Weighted Average Price (VWAP) of MRL shares at the vesting date.
- 4) Vesting rights:
  - a) Performance Rights are granted annually and one third will vest over each of the next 3 years with the first tranche vesting 12 months from the grant date.
  - b) The threshold vesting condition is the ongoing continuous employment of the recipient within the Group over the three year period, and the Remuneration Committee will have an overriding authority to grant vested rights.
- 5) Dividend rights for unvested Performance Rights will not accrue to the individual.
- 6) One set of corporate performance measures apply to all participants - the final score granted will be dependent on success of both the performance measures and the individual's performance rating.
- 7) Post-employment benefits:
  - a) Unvested Rights will lapse on a participant's termination of employment with the Group (with some rules around death, sickness, and certain other uncontrollable events) or if performance conditions are not achieved at the vesting point. Ultimately, the Remuneration Committee will have the discretion to recommend that Rights remain in force.

#### **3.3.1 LTI Performance measures and assessments:**

Performance measures align the reward to an improvement of shareholder value, with a key focus on safety performance and operational efficiency. To measure performance, the Board believes that executives should focus on improving shareholder financial outcomes directly, and consequently references to comparative measures do not provide a valuable gauge of successful outcomes.

Firstly, the importance of providing a safe working environment is fundamental to the operation of the Group and only if employees return home safely to their families has the business ultimately been successful. Total Reportable Injury Frequency Rate (TRIFR) is an industry standard for the measurement of safety performance. A world class target of 5 (being five reportable "incidents" per million hours worked) has been chosen as MRL's LTI target. In addition, a set of sub-targets is used to measure safety performance at the operational level.

In addition, the Board has chosen to use an improvement in the absolute measure of shareholder value, Total Shareholder Return (TSR) (i.e. the increase in market value of shares plus dividends paid) as the primary measure of how management has improved shareholder value. This primary measure is supported by:

- an improvement in the internal financial measure of fully diluted earnings per share (EPS) (normalised profit after tax divided by the weighted average of shares and options on issue) ensuring that shareholder value is created without excessive dilution from the use of additional equity; and
- an improvement in return on equity (ROE) (normalised profit after tax over shareholder funds at the Financial Year end) to ensure that management increasingly utilises equity invested to improve profits.

**3.3.2 LTI Performance Measures:**

Measure		Weighting	2015 Financial Year Score	2014 Financial Year Score	Weighting Achieved	Target
1	Service Hurdle	Threshold				Continued employment with the Group
2	Safety measure	25%	5.51	7.16	Nil	Achieve rolling 12 month TRIFR $\leq$ 5 (considered best practice)
3	TSR	35%	\$(2.60) per share	\$1.96 per share	Nil	Achieve an improvement on previous corresponding period
4	EPS (diluted)	20%	58.19 cents per share <sup>(1)</sup>	124.1cents per share	Nil	Achieve an improvement on previous corresponding period
5	ROE	20%	10.1 <sup>(2)</sup> %	20.2%	Nil	Achieve an improvement on previous corresponding period
		<b>100%</b>			<b>Nil</b>	

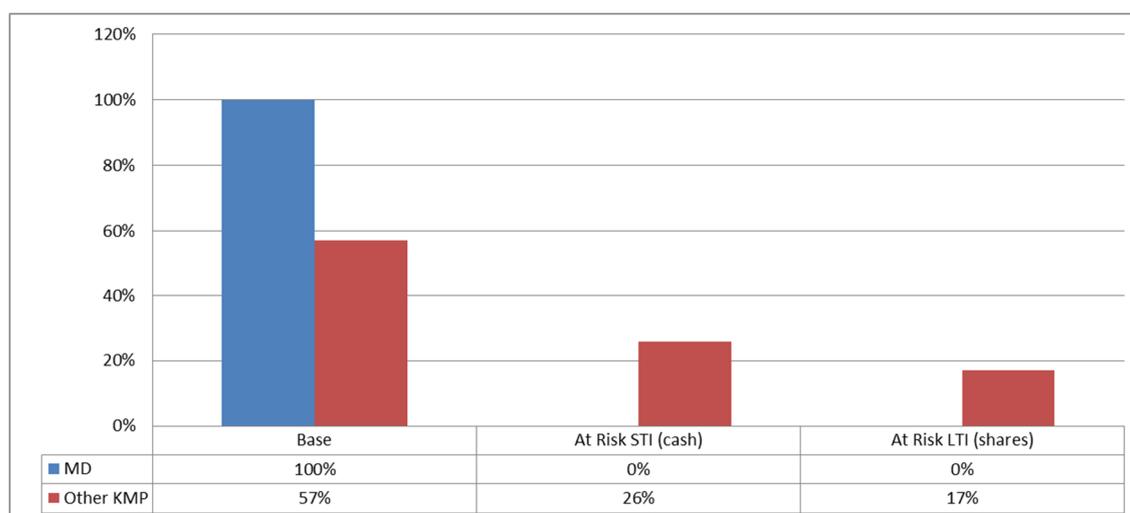
<sup>1</sup> Normalised EPS, excluding the effect on earnings of the write-off of the Deferred Tax Asset that arose on the abolition of the Minerals Resource Rent Tax and impairments. EPS including the effect on earnings of the write-off of the Deferred Tax Asset that arose on the abolition of the Minerals Resource Rent Tax and impairments for the 2015 Financial Year is 6.85c/share.

<sup>2</sup> Normalised ROE, excluding the effect on earnings of the write-off of the Deferred Tax Asset that arose on the abolition of the Minerals Resource Rent Tax and impairments. ROE including the effect on earnings of the write-off of the Deferred Tax Asset that arose on the abolition of the Minerals Resource Rent Tax and impairments for the 2015 Financial Year is 1.2%.

In 2015 executives led a significant cost reduction program across MRL whilst maintaining a strong focus on improving safety performance. Whilst the TSR, EPS and ROE measures were not met, there was significant improvement in both the safety culture and performance, which continues into the 2016 Financial Year. Baseline costs across mining, construction and operations have seen significant reductions resulting in a sound, competitive and sustainable business model which stands the organisation in good stead for the 2016 Financial Year and into the future.

**3.4 Remuneration Mix**

The diagram below shows the targeted remuneration mix for the Managing Director and Other KMP for the 2015 Financial Year. Non-Executive Directors are not eligible for the STI or LTI plan. The 'at risk' proportion of remuneration linked to performance criteria for the Managing Director is nil (as the Managing Director has elected not to participate in the STI and LTI for the 2015 Financial Year) and for Other KMP is 43%.



The target remuneration mix has been developed to ensure that executives have a high proportion of their overall remuneration at risk. The table below shows the actual remuneration mix for the 2014 and 2015 Financial Years. Due to the suspension of the STI in 2015 and not meeting LTI targets, there were no 'at risk' awards made to executives in the 2015 Financial Year.

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Executive Director and Other KMP:	Fixed Remuneration		STI – At Risk		LTI – At Risk	
	2015	2014	2015	2014	2015	2014
<b>Executive Director</b> Chris Ellison	100%	55%	Nil	Nil	Nil	Nil
<b>Other KMP</b> Bob Gavranich David Geraghty Bruce Goulds Jarrod Seymour Steve Wyatt	100% 100% 100% 100% 100%	58% 60% 58% 58% 60%	Nil Nil Nil Nil Nil	29% 27% 30% 29% 28%	Nil Nil Nil Nil Nil	13% 13% 12% 13% 12%

Executive Director and Other KMP:	2015 STI Paid	2015 LTI Paid
<b>Executive Director</b> C. Ellison	Nil	Nil
<b>Other KMP</b> B. Gavranich D. Geraghty B. Goulds J. Seymour S. Wyatt	Nil Nil Nil Nil Nil	Nil Nil Nil Nil Nil

#### 4.0 Non-Executive Directors' remuneration

The key principle underpinning Non-Executive Director remuneration is the need to attract high calibre Directors to direct the current business and into the future.

The Board's policy is to periodically review its approach to Non-Executive Directors remuneration and seeks independent advice to ensure its Non-Executive Director fees remain competitive. Fees to Non-Executive Directors reflect the demands which are placed on, and the responsibilities of, the Directors. No element of Non-Executive Director remuneration is linked to the performance of the Group, as Non-Executive Directors' fees are the only form of remuneration for a Non-Executive Director. However, to create alignment with shareholders, a Non-Executive Director is encouraged to hold equity securities in the Company. At the date of this report the majority of Directors hold equity securities in the Company. All Directors are subject to the Company's "Securities Trading Policy".

Non-Executive Directors may provide consulting services on agreed commercial terms to the Group. The scope and estimated cost of such services are approved by the Board prior to engagement.

## 5.0 Key earnings data

The following information is provided to support decisions made by the Remuneration Committee in determining executives' Fixed Remuneration, STI and LTI.

### 5.1 Group earnings for the five years to 30 June 2015

<b>\$000's</b>	<b>2011</b>	<b>2012<sup>1</sup></b>	<b>2013</b>	<b>2014<sup>2</sup></b>	<b>2015<sup>3</sup></b>
Revenue	609,518	925,857	1,096,982	1,899,032	1,299,063
EBITDA	235,562	294,313	382,778	566,796	283,027
EBIT	209,287	225,591	255,720	351,919	156,123
PBT	208,915	224,200	250,522	339,887	152,369
NPAT	150,493	177,077	180,418	243,271	108,887
Diluted EPS (cents/share)	89.70	96.70	97.37	136.64	58.19

<sup>1</sup> 2012 Financial Year NPAT and Earnings Per Share exclude the impact of the Deferred Tax Asset taken up for Minerals Resource Rent Tax (MRRT). NPAT for the Financial Year ended 30 June 2012 would be \$242,239,000 and EPS 132.3c/share if the impact of the MRRT were to be included.

<sup>2</sup> 2014 Financial Year NPAT and Earnings Per Share exclude the impact of impairment on AQA shares. NPAT for the Financial Year ended 30 June 2014 would be \$230,536,000 and EPS 124.10c/share if the impact of impairment on AQA shares were to be included.

<sup>3</sup> 2015 Financial Year NPAT and Earnings Per Share exclude the impact of the reversal of the Deferred Tax Asset on abolition of the Minerals Resource Rent Tax (MRRT) and impairments. NPAT for the Financial Year ended 30 June 2015 would be \$12,814,000 and EPS 6.85c/share if the impact of MRRT and impairments were to be included.

### 5.2 The following measures are included in Total Shareholder Return (TSR)

<b>\$/share</b>	<b>Prior Yrs</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Opening share price	\$0.90	\$8.10	\$11.50	\$8.95	\$8.25	\$9.59
Closing share price	\$8.10	\$11.50	\$8.95	\$8.25	\$9.59	\$6.60
Increase/(decrease) in share price	\$7.20	\$3.40	(\$2.55)	(\$0.70)	\$1.34	(\$2.99)
Total Dividends paid	\$0.54	\$0.29	\$0.43	\$0.46	\$0.62	\$0.40
TSR	\$7.74	\$3.69	(\$2.12)	(\$0.24)	\$1.96	(\$2.60)
Cumulative TSR	\$7.74	\$11.43	\$9.31	\$9.07	\$11.03	\$8.44
5 Year average percentage increase in TSR						1.7%

The Group has delivered an average 1.7% return in TSR over the last five years.

### 5.3 LTI – amount vested and future vesting rights/values

The table below sets out the amount of shares granted under the LTI, the number vested this Financial Year, and the maximum number able to vest in future years, depending on the vesting conditions being met.

Name:	Financial Year granted	Remuneration rewarded and value vested:				Rights to deferred shares:	
		Amount Granted (\$)	Vested (%)	Value vested (\$)	Forfeited (%)	Financial Year end in which shares may vest:	Maximum value yet to vest <sup>1</sup> (\$)
Chris Ellison	2015	-	-	-	100%	2015	-
						2016	-
						2017	-
Chris Ellison	2014	391,875	33.3%	130,625	0%	2014	-
						2015	-
						2016	-
Bob Gavranich	2015	-	-	-	100%	2015	-
						2016	-
						2017	-
Bob Gavranich	2014	288,461	33.3%	96,154	-	2014	-
						2015	-
						2016	96,154
David Geraghty	2015	-	-	-	100%	2015	-
						2016	-
						2017	-
David Geraghty	2014	209,790	33.3%	69,930	-	2014	-
						2015	-
						2016	69,930
Bruce Goulds	2015	-	-	-	100%	2015	-
						2016	-
						2017	-
Bruce Goulds	2014	210,938	33.3%	70,313	-	2014	-
						2015	-
						2016	70,313
Jarrod Seymour	2015	-	-	-	100%	2015	-
						2016	-
						2017	-
Jarrod Seymour	2014	221,514	33.3%	73,838	-	2014	-
						2015	-
						2016	73,838
Steve Wyatt	2015	-	-	-	100%	2015	-
						2016	-
						2017	-
Steve Wyatt	2014	288,461	33.3%	96,154	-	2014	-
						2015	-
						2016	96,154
		<b>1,611,039</b>		<b>537,013</b>			<b>406,388</b>

<sup>1</sup> Undiscounted and pre probability of retention and performance being achieved.

### 6.0 Voting - 2014 Annual General Meeting (AGM)

At the 2014 Annual General Meeting, 82.3% of the votes received supported the adoption of the Remuneration Report for the 2014 Financial Year.

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**7.0 KMP remuneration**

Tables 7.1 and 7.2 below show details of KMP Remuneration for the 2014 and 2015 Financial Years. LTI remuneration is based on vested grants and probabilistic estimates for those grants that have not yet vested.

**7.1 2015 Financial Year**

	Short Term Benefits						Post Employment Benefits	Other Statutory Entitlements	Long Term Benefits	LTI		Total
	Salary and Fees (Fixed Remuneration)	Other Short Term Employee Benefits <sup>1</sup>	2014 Financial Year STI paid 2015 Financial Year	2015 Financial Year STI accrued	Other fees for services rendered	Non Monetary	Super-annuation		Long service leave	Vested	Granted subject to future vesting conditions	
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>												
Peter Wade	200,000	-	-	-	130,000	-	25,000	-	-	-	-	355,000
Mark Dutton <sup>2</sup>	38,076	-	-	-	-	-	3,617	-	-	-	-	41,693
Kelvin Flynn	98,100	-	-	-	-	-	-	-	-	-	-	98,100
Joe Ricciardo	90,000	-	-	-	-	-	8,550	-	-	-	-	98,550
<b>Executive Director</b>												
Chris Ellison <sup>3</sup>	944,977	-	(266,000)	-	-	56,107	19,015	-	-	-	-	754,099
<b>Other KMP</b>												
Bob Gavranich	860,916	-	-	-	-	56,862	18,783	-	-	-	-	936,561
David Geraghty	651,724	120,734	-	-	-	20,390	21,077	-	-	-	-	813,925
Bruce Goulds	615,000	169,942	-	-	-	-	35,000	-	-	-	-	819,942
Jarrold Seymour	783,064	-	-	-	-	27,356	18,783	-	-	-	-	829,203
Steve Wyatt	858,382	267,489	-	-	-	56,107	13,003	-	-	-	-	1,194,981
	5,140,239	558,165	(266,000)	-	130,000	216,822	162,828	-	-	-	-	5,942,054

<sup>1</sup> Other Short Term Employee Benefits relates to prior years' accumulated annual leave entitlements, paid out this Financial Year.

<sup>2</sup> Resigned 20 November 2014. Remuneration is for the period 1 July 2014 to 20 November 2014.

<sup>3</sup> Chris Ellison repaid his 2014 Financial Year STI during the 2015 Financial Year.

James McClements did not receive any remuneration during the 2015 Financial Year as he joined the Board on 29 May 2015.

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**7.2 2014 Financial Year**

	Short Term Benefits						Post Employment Benefits	Other Statutory Entitlements	Long Term Benefits	LTI		Total
	Salary and Fees (Fixed Remuneration)	Other Short Term Employee Benefits	Financial Year paid 2014 Financial Year <sup>1</sup>	2014 Financial Year STI (accrued) <sup>2</sup>	Other fees for services rendered	Non Monetary	Super- annuation		Long service leave	Vested <sup>2</sup>	Granted subject to future vesting conditions <sup>2</sup>	
	\$		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>Non-Executive Directors</b>												
Peter Wade	200,000	-	-	-	262,500	-	25,000	-	-	-	-	487,500
Mark Dutton	90,000	-	-	-	-	-	8,100	-	-	-	-	98,100
Kelvin Flynn	98,100	-	-	-	-	-	-	-	-	-	-	98,100
Joe Ricciardo	90,000	-	-	-	-	-	8,100	-	-	-	-	98,100
<b>Executive Director</b>												
Chris Ellison	950,000	-	332,500	266,000	-	83,377	25,000	-	-	130,625	130,625	1,918,127
<b>Other KMP</b>												
Bob Gavranich	846,590	-	247,500	205,128	-	33,363	25,000	-	-	96,154	96,154	1,549,888
David Geraghty	591,378	-	136,000	149,184	-	19,663	24,039	-	-	69,930	69,930	1,060,124
Bruce Goulds	625,000	-	187,500	150,000	-	-	25,000	-	-	70,313	70,312	1,128,125
Andrew Haslam <sup>3</sup>	529,989	-	74,320	-	-	17,337	22,596	94,966	-	-	-	739,208
Jarrod Seymour	647,585	-	190,059	157,521	-	23,036	19,802	-	-	73,838	73,838	1,185,678
Steve Wyatt	846,835	-	247,500	205,128	-	83,377	25,000	-	-	96,154	96,154	1,600,148
	5,515,477	-	1,415,379	1,132,961	262,500	260,153	207,637	94,966	-	537,013	537,012	9,963,098

<sup>1</sup> Bonus relates to performance for the 2013 Financial Year which was measured and approved on 13 December 2013.

<sup>2</sup> Paid August 2014.

<sup>3</sup> Resigned on 16 May 2014. Represents remuneration from 1 July 2013 to 16 May 2014.

## 8.0 Service agreements

Remuneration and other terms of employment for executives are formalised in service agreements. Details of these agreements are as follows:

	<b>Termination notice</b>	<b>STI target % of base</b>	<b>LTI target % of base</b>
Chris Ellison <b>Managing Director</b>	6 months	-	-
Bob Gavranich <b>Executive General Manager, PIHA</b>	6 months	45%	30%
David Geraghty <b>Executive General Manager, Process Minerals International Pty Ltd</b>	6 months	45%	30%
Bruce Goulds <b>Chief Financial Officer &amp; Company Secretary</b>	6 months	45%	30%
Jarrold Seymour <b>Chief Operating Officer</b>	6 months	45%	30%
Steve Wyatt <b>Executive General Manager, Crushing Services International Pty Ltd</b>	3 months	45%	30%

## 9.0 Share-based Compensation

### Issue of shares

Shares received by way of remuneration and issued to the executives during the 2015 Financial Year arose as a result of 2014 Financial Year LTI entitlements, as shown in the 2014 Financial Year KMP remuneration table 7.2 above.

### Options

There were no options over ordinary shares granted to, or that vested in favour of, KMP as part of compensation during the year ended 30 June 2015. No options over ordinary shares issued to KMP as part of compensation were outstanding as at 30 June 2015.

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**10.0 Additional disclosures relating to KMPs**

**10.1 Shareholding**

The number of shares in the Company held during the Financial Year by each Director and Other KMP of the Company, including their personally related parties, is set out below:

<b>30 June 2015</b>	<b>Balance at the start of the year</b>	<b>Received as part of remuneration</b>	<b>Additions</b>	<b>Disposals/ other</b>	<b>Balance at the end of the year</b>
<b>Ordinary shares</b>					
<b>Directors</b>					
Peter Wade	1,416,162	-	-	-	1,416,162
Chris Ellison	25,103,000	-	26,212	(895,372)	24,233,840
Mark Dutton <sup>(1)</sup>	15,000	-	-	(15,000)	-
Kelvin Flynn	-	-	-	-	-
James McClements	-	-	-	-	-
Joe Ricciardo	1,179,989	-	-	(112,240)	1,067,749
<b>Other KMPs</b>					
Bob Gavranich	4,110,195	8,887	-	(846,729)	3,272,353
David Geraghty	1,441,049	6,463	-	-	1,447,512
Bruce Goulds	180,000	6,498	-	-	186,498
Jarrold Seymour	-	6,824	-	-	6,824
Steve Wyatt <sup>(2)</sup>	5,852,344	-	-	(1,200,000)	4,652,344
	<b>39,297,739</b>	<b>28,672</b>	<b>26,212</b>	<b>(3,069,341)</b>	<b>36,283,282</b>

<sup>(1)</sup> Resigned 20 November 2014.

<sup>(2)</sup> 2014 Financial Year LTI of \$96,154 not yet converted to shares.

**10.2 Transactions with related parties**

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Other transactions:		
Certain engineering services were provided by GR Engineering Services Limited, a company related to Joe Ricciardo	(199,948)	(229,940)
Certain engineering services were provided to GR Engineering Services Limited, a company related to Joe Ricciardo	218,786	-
Certain crushing and engineering services were provided by Global Advanced Metals Pty Ltd, a company related to Kelvin Flynn and James McClements	(18,938)	(3,996)
Certain crushing and engineering services were provided to Global Advanced Metals Pty Ltd, a company related to Kelvin Flynn and James McClements	-	5,413,787
Properties from which the Group's operations are performed are rented from parties related to Chris Ellison and Peter Wade	(1,784,914)	(1,770,830)
Services provided by Sirona Capital Pty Ltd, a company related to Kelvin Flynn	(3,145)	(76,865)

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**30 June 2015**

*Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Current receivables:		
Trade receivables from Global Advanced Metals Pty Ltd, a company related to Kelvin Flynn and James McClements	-	10,305
Trade receivables from GR Engineering Services Limited, a company associated with Joe Ricciardo	237,936	-
Current payables:		
Trade payables to Global Advanced Metals Pty Ltd, a company related to Kelvin Flynn and James McClements	4,274	4,396

*Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date.

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

***This concludes the Remuneration Report, which has been audited.***

**Shares under option**

There were no unissued ordinary shares of the Company under option outstanding at the date of this report.

**Shares issued on the exercise of options**

There were no ordinary shares of the Company issued on the exercise of options during the year ended 30 June 2015 and up to the date of this report.

**Indemnity and insurance of officers**

The Company has indemnified the Directors and executives for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

**Indemnity and insurance of auditor**

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

**Proceedings on behalf of the Company**

No person has applied to a Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

**Mineral Resources Limited**  
**Directors' report**  
**30 June 2015**

**Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 31 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 31 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

**Officers of the Company who are former partners of RSM Bird Cameron Partners**

There are no officers of the Company who are former partners of RSM Bird Cameron Partners.

**Rounding of amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

**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 on the following page.

**Auditor**

RSM Bird Cameron Partners continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



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Chris Ellison  
Managing Director

20 August 2015  
Perth

### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Mineral Resources Limited for the year ended 30 June 2015, 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

*RSM Bird Cameron Partners*

RSM BIRD CAMERON PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 20 August 2015

**Corporate Governance Statement**

**1.0 Overview**

MRL’s Board and management consider that an uncompromising commitment to safety, environmental performance, corporate governance, and accountability is essential for the Group to achieve its objective of being a world class supplier of goods and services to the resources sector. As a result, specific corporate governance policies have been issued to detail the expected behaviour required from MRL employees and major sub-contractors, to ensure these objectives are met.

The ASX Corporate Governance Council released the third edition of its “*Good Corporate Governance Principles and Recommendations*” (“Recommendations”) in 2014. The Board supports the principles laid out in the Recommendations. Although the Recommendations are not prescriptive, the ASX Listing Rules require disclosure of the extent to which the Recommendations have been followed, and for the Group to identify and provide reasons for those Recommendations that have not been followed. The Recommendations are listed below, along with details on how the Group has addressed the Recommendations, whether the Group is compliant with the Recommendations, and the location of relevant documents/reports.

MRL’s Governance Policies are available at the Corporate Governance section of the Group’s website: [www.mineralresources.com.au](http://www.mineralresources.com.au). Where evidence of compliance with the Recommendations is included within this Report, the relevant section of the Report has been referenced in the table below.

**2.0 ASX Recommendations and how MRL satisfies the Recommendations**

ASX Recommendations	How MRL satisfies the Recommendations		
<b>Principle 1 – Lay solid foundations for management and oversight</b>			
<b>Recommendation 1.1:</b> A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved for the board and those delegated to management.	<b>MRL Corporate Governance Document: Board Charter</b>		
	<b>Compliant with ASX Recommendations</b>	√	<b>Document available</b>  <b>On the Group’s website</b>
	The Board Charter defines the role of the Board as approving the strategic direction of the Group, overseeing good governance practices and guiding and monitoring the performance of KMP, which includes the Board itself, for the benefit of all stakeholders.  <b>The Board Charter assigns responsibility to the Board for:</b> <ul style="list-style-type: none"> <li>• setting the principles for safe and ethical behaviour of all MRL employees (Employees);</li> <li>• establishing the direction, strategies and financial objectives for the Group;</li> <li>• monitoring compliance with regulatory requirements; and</li> <li>• supervision of the implementation of the policies, strategies and financial objectives set out above.</li> </ul>		

Executives have responsibility for the efficient and effective implementation and delivery of the ground-rules, policies, strategies and financial objectives, as set by the Board.

**The following matters are expressly reserved for the Board:**

- overseeing the management of safety, occupational health and environmental matters;
- appointment, evaluation, rewarding and, if necessary, removal of the Managing Director;
- establishing appropriate levels of delegation to the Managing Director to allow the Managing Director to manage the business efficiently;
- review and approval of plans, new investment proposals, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities exceeding the delegated authority of the Managing Director;
- monitoring actual performance against planned performance and providing guidance and support to ensure planned performance is achieved;
- ensuring that the Group is appropriately positioned to manage significant business risks;
- satisfying itself that the financial reporting of the Group fairly and accurately sets out the financial position and financial performance of the Group;
- satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, and internal control processes are in place and functioning appropriately;
- ensuring that appropriate internal and external audit arrangements are in place and operating effectively;
- having a framework in place to help ensure that the Group acts legally and responsibly on all matters consistent with the Code of Conduct; and
- reporting to shareholders.

**Management's responsibilities:**

Responsibility for the day-to-day operation and administration of the Group is delegated by the Board to the Managing Director.

Under the guidance and direction of the Managing Director, executives are responsible for day-to-day running of their area of responsibility by:

- planning the operation and function of areas over which executives have been assigned responsibility,
- organising the resources necessary to accomplish the required outcomes to meet the goals defined by the Board,
- ensuring that the plan to achieve the goals is being carried out in such a way that its accomplishment is assured.

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**Corporate Governance Statement**  
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<p><b>Recommendation 1.2:</b>  A listed entity should:</p> <p>(a) Undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) Provide Security Holders with all material information that the company has in its possession relevant to a decision on whether to elect or re-elect a director.</p>	<p><b>MRL Corporate Governance Document: Procedures for Selection and Appointment of Directors and Shareholders' Communication Policy.</b></p>		
	<p><b>Compliant with ASX Recommendations</b></p>	<p>√</p>	<p><b>Documents available</b></p>
<p>The Group's Corporate Governance Document "Procedures for Selection and Appointment of Directors" sets out the primary principle for selection and appointment of Directors as being the assessment of the skills and experience of the proposed appointee having regard to those of existing Directors, and any likely changes to the business.</p> <p>Candidates are assessed on the following basis:</p> <ul style="list-style-type: none"> <li>• competencies and qualifications,</li> <li>• the candidates' particular skills and experience and the contribution these will make towards development and execution of business strategy,</li> <li>• contribution to the overall balance of the composition of the Board,</li> <li>• time availability and other roles that may mitigate the capacity to add value to the Group, and</li> <li>• depth of understanding of the role of and legal obligations of a Director.</li> </ul> <p>The Group's Corporate Governance Document "Shareholders' Communication Policy" sets out the responsibilities and processes for communication with Shareholders. The Company Secretary is tasked with responsibility for ensuring that Notices of Meetings to Shareholders provide all information relevant to shareholders to assist with the decisions to be made at the meeting. In the case of Board candidates standing for re-election, this would include all material information the Group has in its possession relevant to re-election of the Director.</p>			
<p><b>Recommendation 1.3:</b>  A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.</p>	<p><b>MRL Corporate Governance Document: Service Agreements</b></p>		
	<p><b>Compliant with ASX Recommendations</b></p>	<p>√</p>	<p><b>Document available</b></p>
<p>The Directors' Report, included in this Report, includes details of the terms of appointment for Directors and executives.</p>			

<p><b>Recommendation 1.4:</b>  The company secretary of a listed entity should be accountable directly to the board, through the chair, on matters to do with the proper functioning of the board.</p>	<b>MRL Corporate Governance Document: Board Charter</b>		
	<b>Compliant with ASX Recommendations</b>	√	<b>Document available</b>
			√
	<p>The Board Charter confirms that the Company Secretary is accountable directly to the Board, through the Chairman, on matters to do with the proper functioning of the Board.</p> <p><b>The role of the Company Secretary</b></p> <p>The Company Secretary is accountable to the Board through the Chairman to manage the proper functioning of the Board and its Committees. The Company Secretary is also responsible for providing advice and support to the Board on governance related matters. The appointment and removal of the Company Secretary is a responsibility of the Board. All Directors have a right of access to information and advice, facilitated through the Company Secretary.</p>		
<p><b>Recommendation 1.5:</b>  A listed entity should:</p> <p>(a) have a diversity policy which includes requirements for the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose the policy or a summary of it; and</p> <p>(c) disclose at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee or the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <p>(1) the respective proportions of men and women on the board, in senior executive positions and</p>	<b>MRL Corporate Governance Document: Equal Employment Opportunity and Diversity Policy</b>		
	<b>Compliant with ASX Recommendations</b>	√	<b>Document available</b>
			√
	<p>The Group's Equal Employment Opportunity (EEO) and Diversity Policy provides for diversity of employment opportunities within the Group.</p> <p>The Group has determined a target for gender diversity. Taking account of industry norms, the Group's target for the percentage of female to male employees is 20%. As at 30 June 2015, 17% (30 June 2014: 15%) of Group employees were female and two (30 June 2014: one) are in senior executive positions. There are currently no females serving on the Board.</p> <p>The Group is committed to creating a working environment that values and utilises the contribution of its employees from diverse backgrounds and experience. The Equal Employment Opportunity (EEO) and Diversity Policy is a commitment by the Company to create a workplace that is fair and inclusive, applies fair and equitable employment practices and provides a working environment that will allow all employees to reach their full potential.</p> <p>It is the intention of the Group that all matters related to employment and career development will be free from discriminatory practices by ensuring that selection for jobs and career progression will be determined by personal merit, competency, qualifications and ability to effectively perform the role. The Group will not treat any person less favourably than another on the basis of:</p>		

<p>across the whole organisation (including how the entity as defined “senior executive” for these purposes); or</p> <p>(2) if the entity is a “relevant employer” under the Workplace Gender Equality Act, the entity’s most recent “Gender Equality Indicators”, as defined in and published under that Act.</p>	<ul style="list-style-type: none"><li>• gender,</li><li>• marital Status,</li><li>• sexual orientation,</li><li>• age,</li><li>• race/cultural background,</li><li>• religious or political opinions,</li><li>• family responsibilities,</li><li>• disability.</li></ul> <p>This policy applies to all Group employees and contractors. Each person has an obligation to support and respect equality, workplace diversity and ethical practices in their workplace. The following legislative requirements are considered in conjunction with this policy:</p> <ul style="list-style-type: none"><li>• Fair Work Act 2009,</li><li>• Anti-Discrimination Act 1998,</li><li>• Equal Employment Opportunity Act 1984,</li><li>• Sex Discrimination Act 1984,</li><li>• Racial Discrimination Act 1975,</li><li>• Human Rights and Equal Opportunity Act 1986,</li><li>• Disability Discrimination Act 1992.</li></ul>
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<p><b>Recommendation 1.6:</b>  A listed entity should :</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<b>MRL Corporate Governance Document: Nominations Committee Charter</b>		
	<p><b>Compliant with ASX Recommendations</b></p>	<p>√</p>	<p><b>Document available</b></p>
<p>The Board has in place a process for evaluating the performance of Directors and executives.</p>			
<p><b>Managing Director</b>  The Board reviews the performance of the Managing Director on an annual basis. The Board and the Managing Director agree a set of specific performance measures to be used in the review of the forthcoming year.</p>			
<p>This includes:</p> <ul style="list-style-type: none"> <li>• financial measures of the Group's performance,</li> <li>• achievement of key operational goals and strategic objectives,</li> <li>• development of management and staff,</li> <li>• compliance with legal and Group policy requirements, and</li> <li>• achievement of other key performance indicators.</li> </ul>			
<p><b>Executives</b>  The Managing Director is responsible for assessing the performance of executives, using the same system and process outlined for the Managing Director above. In turn, each executive applies a similar process, which is cascaded down throughout the Group, to ultimately ensure that all employees' performance and development is appropriately assessed and managed. This assessment covers personal performance against a collection of agreed KPI's, adherence to the "MRL Truths and Behaviours" and an individual's personal effectiveness.</p>			
<p><b>Board and Board Committees</b>  A formal evaluation of the performance of the Board, Audit Committee, Remunerations Committee, and Nominations Committee was undertaken in May 2015 by the Chairman.</p> <p>The annual review included consideration of the following measures:</p> <ul style="list-style-type: none"> <li>• comparison of the performance of the Board and each Committees against the requirements of their respective Charters;</li> <li>• assessment of the performance of the Board and Committees over the previous twelve months having regard to corporate strategies, operating plans and the annual budget;</li> <li>• review of the Board and respective Committees' interaction with management;</li> <li>• identification of any particular goals and objectives of the Board and Committees for the next year;</li> <li>• review of the type and timing of information provided to the Directors; and</li> <li>• identification of any necessary or desirable improvements to Board or Committee Charters.</li> </ul>			

**Mineral Resources Limited  
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<p><b>Recommendation 1.7:</b> A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p><b>MRL Corporate Governance Document: Nominations Committee Charter</b></p>			
	<p><b>Compliant with ASX Recommendations</b></p>	<p>√</p>	<p><b>Document available</b></p>	<p>√ <b>On Group website</b></p>
	<p>The Nominations Committee is responsible for evaluating the performance of the Managing Director and executives.</p> <p>The Managing Director and executives have formal job descriptions and letters of appointment describing their term in office, duties, rights and responsibilities, and entitlements on termination.</p> <p><b>Managing Director</b> The Board reviews the performance of the Managing Director on an annual basis, and has done so during the 2015 Financial Year. The Board and the Managing Director have agreed a set of specific performance measures to be used in the review of the 2016 Financial Year, which include:</p> <ul style="list-style-type: none"> <li>• financial measures of the Group’s performance;</li> <li>• achievement of key operational goals and strategic objectives;</li> <li>• development of Senior Managers and MRL employees;</li> <li>• compliance with legal and Company policy requirements; and</li> <li>• achievement of other key performance indicators.</li> </ul> <p><b>Executives</b> The Managing Director is responsible for assessing the performance of executives, using the same process outlined for the Managing Director above. In turn, executives apply a similar process, which is cascaded down throughout the Group, to ultimately ensure that all employees’ performance and development is appropriately assessed and managed.</p>			
<p><b>Principle 2 – Structure the Board to add value</b></p>				
<p><b>Recommendation 2.1:</b> The board of a listed entity should:</p> <p>(a) have a nominations committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p>	<p><b>MRL Corporate Governance Document: Nominations Committee Charter</b></p>			
	<p><b>Compliant with ASX Recommendations</b></p>	<p>√</p>	<p><b>Document available</b></p>	<p>√ <b>On Group Website</b></p>
	<p>The Board has a Nominations Committee.</p>			

<p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a nominations committee, disclose that fact and the process it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p><b>Composition:</b>  The Committee is comprised of three independent Non-Executive Directors. Kelvin Flynn, an independent Non-executive Director, is the Committee Chairman. Membership of the Nomination Committee is included in the Directors' Report.</p> <p><b>Roles and responsibilities:</b>  The role of the Nominations Committee is to assist and advise the Board in fulfilling its responsibilities to members of the Company on:</p> <ul style="list-style-type: none"> <li>• matters relating to the composition, structure and operation of the Board;</li> <li>• matters relating to executives' selection and performance;</li> <li>• other matters as required.</li> </ul> <p><b>Nomination Committee objectives:</b>  The objectives to the Committee include:</p> <ul style="list-style-type: none"> <li>• providing assurance that the Board has the effective composition, size and commitment to adequately discharge its responsibilities and duties;</li> <li>• conducting searches for new Board members and recommending preferred candidates to the Board;</li> <li>• assessing the extent to which the necessary and desirable competencies are represented on the Board;</li> <li>• recommending required Board competencies, number and profiles of Board members;</li> <li>• ensuring that Board succession plans are in place to maintain the required competencies, number and profiles of Board members;</li> <li>• reviewing nominations received from members who wish to be appointed to the Board in accordance with preferred criteria/identified weaknesses;</li> <li>• continually monitoring Board membership and structure to ensure that there is appropriate representation on the Board from across the membership;</li> <li>• maintaining a process for evaluating performance of the Board;</li> <li>• conducting searches for the Managing Director and executives and recommending preferred candidates to the Board;</li> <li>• ensuring that succession plans are in place;</li> <li>• evaluating the performance of the Managing Director and executives.</li> </ul> <p><b>2015 Financial Year Nominations Committee Meetings:</b>  The number of meetings and attendance at each meeting is disclosed in the Directors' Report section of this Report.</p>
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<p><b>Recommendation 2.2:</b>  A listed entity should have and disclose a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<b>MRL Corporate Governance Document: Board Skills Matrix – set out below</b>																																																																																																					
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<p><b>Recommendation 2.3:</b>  A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 [of the ASX Corporate Governance Council's 2014 Corporate Governance Principles and Recommendations] but the board is of</p>	<b>MRL Corporate Governance Document: Directors' Report</b>																																																																																																					
	<b>Compliant with ASX Recommendations</b>	√	<b>Document available</b>	√ <b>Directors' Report section of this Report</b>																																																																																																		
	Each Director's skills, experience and expertise relevant to the position of Director, and period of office of each Director in office at the date of this Report, is contained in the Directors' Report section of this Report.																																																																																																					

**Mineral Resources Limited**  
**Corporate Governance Statement**  
**30 June 2015**

<p>the opinion that it does not compromise the independence of the director, the nature of the interest, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>				
<p><b>Recommendation 2.4:</b>  A majority of the board of a listed entity should be independent directors.</p>	<p><b>MRL Corporate Governance Document: Directors' Report</b></p>			
	<p><b>Compliant with ASX Recommendations</b></p>	<p>√</p>	<p><b>Document available</b></p>	<p>√  <b>Directors' Report section of this Report</b></p>
	<p>Three of the Group's five Directors are considered to be independent.</p> <p>Mark Dutton (resigned 20 November 2014), James McClements (appointed 29 May 2015), Joe Ricciardo and Kelvin Flynn satisfy the tests of the Recommendations and are considered independent. Kelvin Flynn and Joe Ricciardo are associated with suppliers and or customers of the Group. Their association is as independent Non-Executive Directors. This association is considered to not detract from their independence.</p> <p>The overall composition of the Board is considered by Directors to be the most appropriate structure, created after due consideration of the strategy of the Company, to effectively discharge the duties imposed by law, and adds value in a way that is appropriate to the Group's circumstances. Each Director has the right to seek independent professional advice on matters relating to their position as a Director of the Company at the Company's expense.</p>			
<p><b>Recommendation 2.5:</b>  The chair of the board of a listed entity should be an independent director, and in particular, should not be the same person as the CEO of the entity.</p>	<p><b>MRL Corporate Governance Document: Directors' Report</b></p>			
	<p><b>Compliant with ASX Recommendations</b></p>	<p>X</p>	<p><b>Document available</b></p>	<p>√  <b>Directors' Report section of this Report</b></p>
	<p>The Chairman of the Company, Peter Wade, is considered to not be independent.</p> <p>During the 2013 Financial Year Peter Wade relinquished the dual roles of Executive Chairman / Managing Director. Since November 2013 the position of Managing Director has been occupied by Chris Ellison.</p>			

	The Board continues to consider Peter Wade the best person to lead the Board, drawing on his experience and previous leadership role within the Group, and his broad experience in business over 40 years.		
<p><b>Recommendation 2.6:</b>  A listed entity should have a program for inducting new director and provide appropriate professional development opportunities for director to develop and maintain the skills and knowledge needed to perform their role as directors effectively.</p>	<b>MRL Corporate Governance Document: Nominations Committee Charter</b>		
	<b>Compliant with ASX Recommendations</b>	√	<b>Document available</b> <span style="float: right;">√</span> <b>On Group website</b>
	<p>As part of the process for appointing new Directors to the Board, a new Director receives an induction appropriate to their experience.</p> <p>The Board regularly reviews the composition, performance and working relationships to ensure that the Board continues to have the mix of skills and experience necessary for the conduct of the Group's activities. Where deficiencies are identified, these are addressed either by seeking new appointments to the Board, or by arranging appropriate professional development for existing Board members.</p>		
<b>Principle 3 – Act ethically and responsibly</b>			
<p><b>Recommendation 3.1:</b>  A listed entity should:</p> <p>(a) have a code of conduct for its directors, senior executives and employees; and</p> <p>(b) disclose that code or a summary of it.</p>	<b>MRL Corporate Governance Document: Code of Conduct</b>		
	<b>Compliant with ASX Recommendations</b>	√	<b>Document available</b> <span style="float: right;">√</span> <b>On Group website</b>
	<p>The Group has established a Code of Conduct (Code) which aims to encourage appropriate standards of conduct and behavior of the Directors, executives, employees and contractors (collectively called Employees) of the Company.</p> <p>Employees are expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the Group.</p> <p>The Code requires Employees to:</p> <ul style="list-style-type: none"> <li>• act honestly, in good faith and in the best interests of the Group;</li> <li>• exercise due care and diligence in fulfilling the functions of their position and exercising the powers attached to their employment;</li> <li>• recognise that their primary responsibility is to the Company's shareholders as a whole;</li> <li>• not take advantage of their position for personal gain, or the gain of their associates;</li> <li>• be independent in exercising judgment.</li> </ul>		

	<p>In addition, the Code advises Employees:</p> <ul style="list-style-type: none"> <li>• that confidential information received in the course of the exercise of their duties remains the property of the Group;</li> <li>• confidential information can only be released or used with specific permission from the Company; and that</li> <li>• Employees have an obligation to comply with the spirit and principles of the Code.</li> </ul> <p>The Group views breaches of the Code as serious misconduct. Breaches of the code must be reported immediately to line managers or the Company Secretary. Line managers or the Company Secretary have responsibility to report the breach to appropriate executives and to advise Employees of the outcome and actions implemented to address the breach.</p> <p>Anyone, acting in good faith, that reports a breach or a suspected breach, will not be subject to retaliation or recrimination for making that report.</p> <p>Any Employee who breaches the policies outlined in the Code may be subject to disciplinary action, including in the case of serious breaches, dismissal. For serious breaches, the Group reserves the right to pursue claims for damages and/or to pass the matter to relevant authorities to pursue charges under the criminal code.</p>
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**Principle 4 – Safeguard integrity in financial reporting**

<p><b>Recommendation 4.1:</b>  The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <p>(1) has at least three members, all of whom are non-executive directors and the majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, who is not the chair of the board,</p> <p>and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the relevant qualifications and experience of the members of the committee; and</p> <p>(5) in relation to each reporting</p>	<b>MRL Corporate Governance Document: Audit Committee Charter</b>			
	<p><b>Compliant with ASX Recommendations</b></p>	<p>√</p>	<p><b>Document available</b></p>	<p>√</p> <p><b>On Group website</b></p>
	<p>The Audit Committee is a Committee of the Board with the specific powers delegated by the Board. The Committee's operation is governed by the Audit Committee Charter.</p> <p>During the 2015 Financial Year, membership of the Audit Committee was as follows:</p> <ul style="list-style-type: none"> <li>• Kelvin Flynn (current Chair),</li> <li>• Mark Dutton (Chair until his resignation as a Director on 20 November 2014),</li> <li>• James McClements (joined the Committee on his appointment to the Board on 29 May 2015), and</li> <li>• Joe Ricciardo.</li> </ul> <p>The number of meetings held during the 2015 Financial Year, and attendance at each, is listed in the Directors Report, part of this Report.</p>			

<p>period, the number of times the committee met throughout the period and the individual attendances of the members at those meeting; or</p> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>The primary function of the Committee is to assist the Board in fulfilling its responsibilities relating to accounting and reporting practices of the Group. In addition, the Committee:</p> <ul style="list-style-type: none"> <li>• oversees, co-ordinates and appraises the quality of audits conducted by the Group's external auditors;</li> <li>• determines the independence and effectiveness of the external auditor;</li> <li>• maintains open lines of communications among the Board and the external auditors to exchange views and information, as well as confirm their respective authority and responsibilities;</li> <li>• serves as an independent and objective party to review financial information submitted by executives to the Board for issue to shareholders, regulatory authorities and the general public; and</li> <li>• reviews the adequacy of the Group's reporting and accounting controls.</li> </ul> <p>The Committee is not required to personally conduct accounting reviews or audits, and is entitled to rely on executives and/or professional advisers where appropriate.</p>			
<p><b>Recommendation 4.2:</b>  The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p><b>MRL Corporate Governance Document: Audit Committee Charter and Directors' Declaration</b></p>			
	<p><b>Compliant with Recommendations</b></p>	<p><b>ASX</b></p> <p style="text-align: center;">√</p>	<p><b>Document available</b></p>	<p style="text-align: center;">√</p> <p><b>On Group's website and in the Directors' Declaration section of this Report</b></p>
<p><b>Audit Committee:</b>  The Audit Committee ensures that the Managing Director and Chief Financial Officer prepare a written statement to the Board certifying that the Group's annual and half yearly Financial Reports present a true and fair view, in all material respects, of the financial position of the Group as at the reporting date and its financial performance to the reporting date, and are in accordance with relevant accounting standards.</p> <p>The statement is presented to the Board prior to the approval and sign-off of the respective annual and half yearly Financial Reports. Confirmation is provided by the Managing Director and Chief Financial Officer that the assurance provided to the Board is founded on a sound system of risk management and internal control and that the system is considered to operate effectively in all material respects in relation to reporting financial risk.</p> <p><b>Directors' Declaration:</b>  The Directors' Declaration, included in this Financial Report, confirm that the Managing Director and Chief Financial Officer have provided the declarations required by section 295A of the Corporations Act 2001 with regard to this financial period.</p>				

<p><b>Recommendation 4.3:</b>  A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.</p>	<b>MRL Corporate Governance Document: Shareholders Communication Policy</b>			
	<b>Compliant with ASX Recommendations</b>	√	<b>Document available</b>	√ <b>On Group's website</b>
	<p>It is both the Group's policy and the policy of the Group's auditor for the lead engagement partner to be present at the Annual General Meeting (AGM) and to answer any questions regarding the conduct of the audit and the preparation and content of the auditors' report.</p> <p>To assist with this process, shareholders are encouraged to provide relevant questions at least five business days prior to the AGM to allow the external auditors adequate time to give consideration, and prepare responses to, shareholder questions.</p>			
<b>Principle 5 – Make timely and balanced disclosure</b>				
<p><b>Recommendation 5.1:</b>  A listed entity should:</p> <p>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</p> <p>(b) disclose that policy or a summary of it.</p>	<b>MRL Corporate Governance Document: Continuous Disclosure Policy</b>			
	<b>Compliant with ASX Recommendations</b>	√	<b>Document available</b>	√ <b>On Company website</b>
	<p>The Group has a Continuous Disclosure Policy which demonstrates its commitment to:</p> <ul style="list-style-type: none"> <li>• complying with the general and continuous disclosure principles contained in the Corporations Act and the ASX Listing rules;</li> <li>• preventing selective or inadvertent disclosure of material price sensitive information;</li> <li>• ensuring shareholders and the market are provided with full and timely information about the Group's activities;</li> <li>• ensuring that all market participants have equal opportunity to receive externally available information issued by the Group.</li> </ul> <p><b>Disclosure officers</b>  The Managing Director and the Chief Financial Officer/Company Secretary have been appointed as the Group's Disclosure Officers responsible for implementing and administering this policy. Disclosure Officers are responsible for all communication with ASX and the Managing Director is responsible for making decisions on what should be disclosed publicly under this policy.</p> <p>In the absence of the Managing Director and Chief Financial Officer/Company, any matters regarding disclosure issues are to be referred to the Chairman.</p>			

	<p><b>Material information</b></p> <p>In accordance with the ASX Listing Rules, the Group must immediately notify the market (via an announcement to the ASX) once it becomes aware of any information concerning the Group which a reasonable person would expect to have a material effect on the price or value of the Company's securities. ASX announcements are placed on the Investors and Media section of the Group website as soon as practicable after the ASX confirms receipt of that information.</p> <p>The Group is also required to disclose information, if asked to do so by the ASX, to correct or prevent a false market.</p> <p>The Group is aware of the Corporations Act's requirements that it is deemed to have become aware of information where a Director or Senior Manager has, or ought to have, come into possession of the information in the course of the performance of his duties as a Director or Senior Manager; and that the Corporations Act defines a material effect on price or value as being where a reasonable person would be taken to expect information to have a material effect on the price or value of securities if the information would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the securities.</p>
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**Principle 6 – Respect the rights of security holders**

<p><b>Recommendation 6.1:</b>  A listed entity should provide information about itself and its governance to investors via its website.</p>	<b>MRL Corporate Governance Document: Continuous Disclosure Policy and Shareholders Communication Policy</b>			
	<b>Compliant with ASX Recommendations</b>	√	<b>Documents available</b>	√ <b>On Group's website</b>
	<p>The Group Manager Internal/External Affairs and Disclosure Officers (refer Recommendation 5.1 above) ensure that relevant information about the Group is disclosed via the Group website on an ongoing basis, in compliance with the Group's Continuous Disclosure Policy and Shareholders Communication Policy.</p> <p>The Group's website features a discrete section (Investors and Media) for shareholders and investors to ensure that information can be accessed by interested parties. Such information includes:</p> <ul style="list-style-type: none"> <li>• annual reports and results announcements,</li> <li>• all Company announcements made to the ASX,</li> <li>• speeches and support material given at investor conferences or presentations,</li> <li>• Group profile and Group contact details, and</li> <li>• all written information provided to investors or stockbroking analysts.</li> </ul> <p>Announcements lodged with the ASX are placed on the Group's website as soon as practicable after the ASX confirms receipt of that information.</p> <p>The Group believes that communicating with shareholders by electronic means, particularly through its website, is an efficient way of distributing information in a timely and convenient manner.</p>			

	<p>The Group's website includes the following pages, which contain information relevant to shareholders:</p> <ul style="list-style-type: none"> <li>• a <i>Corporate Governance</i> section on the Company's corporate governance policies and practices;</li> <li>• <i>Annual Reports</i> section, which contains copies of MRL's Annual Reports, dating back to listing in 2006;</li> <li>• <i>Investors and Media</i> section that contains links to Annual Reports, all ASX releases (including Half Yearly and Quarterly Reports), Presentation, Broker Reports, Corporate Directory and Corporate Governance Policies;</li> <li>• <i>Latest News</i> section, containing sections on newsletters, media clippings and other relevant presentations.</li> </ul> <p>All website information is continuously reviewed and updated to ensure that information is current, or appropriately dated and archived.</p> <p>The Group places the full text of notices of shareholder meetings and explanatory material on the website.</p>								
<p><b>Recommendation 6.2:</b>  A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.</p>	<p><b>MRL Corporate Governance Document: Shareholders Communication Policy</b></p> <table border="1" data-bbox="674 710 2130 774"> <tr> <td data-bbox="674 710 1059 774"><b>Compliant with ASX Recommendations</b></td> <td data-bbox="1059 710 1361 774" style="text-align: center;">√</td> <td data-bbox="1361 710 1664 774"><b>Document available</b></td> <td data-bbox="1664 710 2130 774" style="text-align: center;">√</td> </tr> <tr> <td colspan="2"></td> <td data-bbox="1361 734 1664 774"></td> <td data-bbox="1664 734 2130 774" style="text-align: center;"><b>On Company website</b></td> </tr> </table> <p>The Group recognises the value of providing current and relevant information to its shareholders.</p> <p>The Chief Financial Officer/Company Secretary and Group Manager Internal/External Affairs have the primary responsibility for communication with shareholders.</p> <p>Information is communicated to shareholders through:</p> <ul style="list-style-type: none"> <li>• continuous disclosure to the ASX of all material information;</li> <li>• periodic disclosure through the Annual Report, Half Year Financial Report and quarterly reporting of exploration, production and corporate activities;</li> <li>• notices of meetings and explanatory material;</li> <li>• the Annual General Meeting;</li> <li>• periodic newsletters or letters from the Chairman or Managing Director; and</li> <li>• the Group's website.</li> </ul> <p>The Group's website contains a "Contact" section that enables questions relating to the Group to be lodged with the Group. Requests and responses are tracked to ensure appropriate consideration is provided to all queries and communications with the Group.</p>	<b>Compliant with ASX Recommendations</b>	√	<b>Document available</b>	√				<b>On Company website</b>
<b>Compliant with ASX Recommendations</b>	√	<b>Document available</b>	√						
			<b>On Company website</b>						

<p><b>Recommendation 6.3:</b>  A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.</p>	<b>MRL Corporate Governance Document: Shareholders Communication Policy</b>			
	<b>Compliant with ASX Recommendations</b>	√	<b>Document available</b>	√ <b>On Group website</b>
	<p>The Shareholders Communication Policy provides for the following with regard to shareholder meetings:</p> <ul style="list-style-type: none"> <li>• notices of meetings are distributed to shareholders in accordance with the provisions of the Corporations Act;</li> <li>• notices of meeting and other meeting material are drafted in concise and clear language;</li> <li>• shareholders are encouraged to use their attendance at meetings to ask questions on any relevant matter, with time being specifically set aside for shareholder questions;</li> <li>• notices of meetings encourage participation in voting on proposed resolutions by lodgement of proxies, if shareholders are unable to attend the meeting;</li> <li>• it is general practice for a presentation on the Company's activities to be made to shareholders at each AGM; and</li> <li>• as noted at Recommendation 4.3 above, it is both the Group's policy and the policy of the Group's auditor for the lead engagement partner to be present at the AGM to answer any questions regarding the conduct of the audit and the preparation and content of the auditors' report.</li> </ul>			
<p><b>Recommendation 6.4:</b>  A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.</p>	<b>MRL Corporate Governance Document: Shareholders Communication Policy</b>			
	<b>Compliant with ASX Recommendations</b>	√	<b>Document available</b>	√ <b>On Group's website</b>
	<p>As noted at Recommendation 6.1 above, the Group's website contains a "Contact" section that enables questions relating to the Group to be lodged with the Company. Responses are tracked to ensure appropriate consideration is provided to all queries and communication with the Group.</p> <p>Likewise, the Contacts section of the Group's website contains the contact details of the Group's Share Registry (Computershare) and a hyperlink to Computershare's website. Via this link, shareholders are able to lodge queries related to the share registry on Computershare's website.</p>			

**Principle 7 – Recognise and manage risk**

**Recommendation 7.1:**

The board of a listed entity should:

- (a) have a committee or committees to oversee risk, each of which:
  - (1) has at least three members, a majority of whom are independent directors; and
  - (2) is chaired by an independent director.
 and disclose:
  - (3) the charter of the committee;
  - (4) the members of the committee; and
  - (5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members of the members at those meetings; or
- (b) if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.

**MRL Corporate Governance Documents:**

- Risk Management and Internal Compliance and Control,
- Audit Committee Charter,
- Nominations Committee Charter,
- Code of Conduct.

**Compliant with ASX Recommendations**

√

**Documents available**

√  
**On Group website**

**Executive's responsibility:**

Primary responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to the executives by the Managing Director. The Managing Director is required by the Board to report on the efficiency and effectiveness of the risk management system. The Board discusses risk management issues with the Managing Director and executives on an ongoing basis.

Executives have standing instructions from the Managing Director to apprise the Board of changing circumstances within the Company and within the business environment.

In addition to the above, the Group's Governance framework provides the following controls:

**Via the Audit Committee:**

The Audit Committee addresses risk within the Group via:

- overseeing, co-ordinating and appraising the quality of audits conducted by both the Group's external auditors and the internal audit review process (refer Recommendation 7.2 below);
- determining the independence and effectiveness of the external auditors and the internal audit process;
- maintaining open lines of communications among the Board and external auditors to exchange views and information, as well as confirm the external auditors' authority and responsibilities;
- serving as an independent and objective party to review the financial information submitted by management to the Board for issue to shareholders, regulatory authorities and the general public; and
- reviewing the adequacy of the reporting and accounting controls of the Company.

	<p><b>The Nominations Committee addresses risk by:</b></p> <ul style="list-style-type: none"> <li>• providing assurance that the Board has the effective composition, size and commitment to adequately discharge its responsibilities and duties,</li> <li>• assessing the extent to which the necessary and desirable competencies are represented on the Board,</li> <li>• recommend required Board competencies, number and profiles of Board members,</li> <li>• ensuring that Board succession plans are in place to maintain the required competencies, number and profiles of Board members,</li> <li>• evaluating the performance of the Board and executives.</li> </ul> <p><b>The Company's Code of Conduct addresses risk by:</b></p> <ul style="list-style-type: none"> <li>• requiring Directors, and Employees of the Company to act honestly, in good faith and in the best interests of the Company, as detailed under Recommendation 3.1 above.</li> </ul>						
<p><b>Recommendation 7.2:</b>  The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p><b>MRL Corporate Governance Documents:</b></p> <ul style="list-style-type: none"> <li>• <b>Audit Committee Charter,</b></li> <li>• <b>Risk Management and Internal Compliance and Control.</b></li> </ul> <table border="1" data-bbox="674 810 2112 874"> <tr> <td data-bbox="674 810 1059 874"><b>Compliant with ASX Recommendations</b></td> <td data-bbox="1059 810 1361 874" style="text-align: center;">√</td> <td data-bbox="1361 810 1664 874"><b>Documents available</b></td> <td data-bbox="1664 810 2112 874" style="text-align: center;">√ <b>On Group website</b></td> </tr> </table> <p>In addition to its primary function to assist the Board in fulfilling its responsibilities relating to accounting and reporting practices of the Company, the Audit Committee reviews the adequacy of the reporting and accounting controls of the Company.</p> <p>As noted at Recommendation 7.1 above, primary responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to executives. Executives are required by the Board to report back on the efficiency and effectiveness of risk management within their areas of responsibility. The Board discuss risk management issues with executives on an ongoing basis, and executives have standing instructions from the Board to apprise the Board of changing circumstances within the Group and within the international business environment.</p>			<b>Compliant with ASX Recommendations</b>	√	<b>Documents available</b>	√ <b>On Group website</b>
<b>Compliant with ASX Recommendations</b>	√	<b>Documents available</b>	√ <b>On Group website</b>				

<p><b>Recommendation 7.3:</b>  A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p><b>MRL Corporate Governance Documents:</b></p> <ul style="list-style-type: none"> <li>• <b>Audit Committee Charter,</b></li> <li>• <b>Code of Conduct,</b></li> <li>• <b>Risk Management and Internal Compliance and Control.</b></li> </ul>			
	<p><b>Compliant with ASX Recommendations</b></p>	<p>√</p>	<p><b>Documents available</b></p>	<p>√ <b>On Group website</b></p>
	<p>The Company does not currently have a formal internal audit function.</p> <p>Procedures for continually improving both risk management and internal control processes are managed by the Group as follows:</p> <p><b>(a) Via the Risk Management and Internal Compliance and Control Procedure, which:</b></p> <ul style="list-style-type: none"> <li>• Assigns primary responsibility for undertaking and assessing risk management and internal control effectiveness to executives;</li> <li>• Requires executives, as tasked by the Board, to report back to the Board on the efficiency and effectiveness of risk management within their areas of responsibility;</li> <li>• Requires the Board to discuss risk management issues with executives on an ongoing basis.</li> </ul> <p><b>(b) Via the Audit Committee, which:</b></p> <ul style="list-style-type: none"> <li>• assists the Board in fulfilling its responsibilities relating to accounting and reporting practices of the Group;</li> <li>• oversees, co-ordinates and appraises the quality of audits conducted by the Group's external auditors, which includes reports from the auditors on, and Management's response to, control weaknesses observed during the external audit process;</li> <li>• ensures the Managing Director and Chief Financial Officer provide the Board with the declaration required by s295A of the Corporations Act – i.e. that a sound system of risk management and internal control is in place and operating effectively in material respects in relation to financial reporting risks;</li> <li>• maintains open lines of communications among the Board and the external auditors to exchange views and information; and</li> <li>• reviews, through formal enquiry, the adequacy of the reporting and accounting controls of the Group.</li> </ul> <p><b>(c) Via Corporate Finance reviews:</b></p> <ul style="list-style-type: none"> <li>• Corporate Finance undertakes regular (minimum six monthly) reviews of the efficiency and effectiveness of Operational Finance Departments' Management reports and reconciliations. Deficiencies are reported to the Chief Financial Officer with a recommendation of the corrective action to be undertaken, recommended revisions to the Group's financial and operational systems and timetable for rectification. Once corrective action has been completed, the Chief Financial Officer signs off that the issue has been resolved.</li> </ul>			

	<p><b>(d) Via Independent Expert Reports:</b></p> <ul style="list-style-type: none"> <li>Where an item has a material impact on the accuracy and reliability of financial performance to, and financial position as at, a period end (e.g. resource stockpiles) independent experts are commissioned to assess quantities included in carrying value calculations. Variances are thoroughly investigated and where deficiencies are identified, appropriate amendments made to measuring processes/systems.</li> <li>Risks associated with IT system changes are managed by ensuring independent experts are commissioned to review change processes and to provide a report to executives on the adequacy and efficacy of internal controls inherent in the new systems, as well as to verify that all risks associated with transition from previous to new systems have been appropriately managed.</li> </ul> <p><b>(e) Via Risk Surveyor Reports:</b></p> <ul style="list-style-type: none"> <li>The Group arranges major property insurance based risk management audits through its insurance brokers on at least an annual basis. These comprehensive risk reviews are conducted by independent risk management companies, who provide a report to executives on the adequacy of property insurance and associated control risks, for major property and processes within the Group's supply chain. Issues identified are logged and followed up by periodic updates on corrective actions to the Chief Operating Officer and Chief Financial Officer, until both sign off that they are satisfied that any weaknesses in process controls and/or operating systems have been adequately remediated.</li> </ul> <p>The Board is satisfied that the processes summarised above achieve the objective of ensuring the effectiveness of the Group's risk management and internal control processes are continually monitored and improved.</p>							
<p><b>Recommendation 7.4:</b>  A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.</p>	<p><b>MRL Corporate Governance Documents:</b></p> <ul style="list-style-type: none"> <li><b>Risk Management and Internal Compliance and Control,</b></li> <li><b>This Report.</b></li> </ul> <table border="1" data-bbox="674 1082 2123 1145"> <tr> <td data-bbox="674 1082 1057 1145"><b>Compliant with ASX Recommendations</b></td> <td data-bbox="1057 1082 1361 1145" style="text-align: center;">√</td> <td data-bbox="1361 1082 1662 1145"><b>Documents available</b></td> <td data-bbox="1662 1082 2123 1145" style="text-align: center;">√ <b>On Group website</b></td> </tr> </table> <p><b>The Risk Management and Internal Compliance and Control Procedure:</b></p> <ul style="list-style-type: none"> <li>assigns primary responsibility for undertaking and assessing risk management and internal control effectiveness to the executives;</li> <li>Requires executives, as tasked by the Board, to report back to the Board on the efficiency and effectiveness of risk management within their areas of responsibility;</li> <li>requires the Board to discuss risk management issues with executives on an ongoing basis.</li> </ul> <p>Any unmitigated risk issues identified by executives, and reported to the Board, are disclosed within the Directors Report section of this Report (refer below).</p>				<b>Compliant with ASX Recommendations</b>	√	<b>Documents available</b>	√ <b>On Group website</b>
<b>Compliant with ASX Recommendations</b>	√	<b>Documents available</b>	√ <b>On Group website</b>					

	<p><b>The Directors Report, within this Report:</b></p> <ul style="list-style-type: none"> <li>Disclose material exposure to economic, environmental and social sustainability risks, along with remedial action being taken to manage and/or mitigate these risks.</li> </ul>
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**Principle 8 – Remunerate fairly and responsibly**

<p><b>Recommendation 8.1:</b>  The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ol style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, and disclose:</li> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>(b) if it does not have a remunerations committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p><b>MRL Corporate Governance Documents: Remuneration Committee Charter</b></p>			
	<p><b>Compliant with ASX Recommendations</b></p>	<p>√</p>	<p><b>Documents available</b></p>	<p>√</p> <p><b>On Group website</b></p>
	<p>The Board has established a Remuneration Committee. Composition of the Committee comprises at least three Directors, the majority of whom are Non-Executive Directors, one of whom is appointed the Committee Chairman.</p> <p>The Committee is currently chaired by Kelvin Flynn, an independent Non-Executive Director, and members are Joe Ricciardo, Mark Dutton (until his resignation as a director on 20 November 2014) and James McClements (appointed to the Committee on joining the Board on the 29 May 2015).</p> <p>The Committee Charter is available on MRL website.</p> <p><b>2015 Financial Year Remuneration Committee Meetings:</b>  The number of meetings and attendance at each meeting is disclosed in the Directors’ Report section of this Report.</p>			

**Mineral Resources Limited**  
**Corporate Governance Statement**  
**30 June 2015**

<p><b>Recommendation 8.2:</b>  A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and other senior executives.</p>	<b>MRL Corporate Governance Documents: Remuneration Report – included in this Report</b>			
	<b>Compliant with ASX Recommendations</b>	√	<b>Documents available</b>	√ <b>Via this Report on the Group website</b>
	Details of Non-Executive Director and executive remuneration policies and practices are provided in the Remuneration Report section of this Report, and is audited by the Group’s external auditors.			
<p><b>Recommendation 8.3:</b>  A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limits the economic risk of participating in the scheme; and</p> <p>(b) disclose that policy or a summary of it.</p>	<b>MRL Corporate Governance Documents: Remuneration Report – included in this Report</b>			
	<b>Compliant with ASX Recommendations</b>	√	<b>Documents available</b>	√ <b>Via this Report on the Group website</b>
	<p>The Company has a LTI plan which entitles participants to equity based remuneration, provided minimum thresholds are achieved.</p> <p>Details and entitlements under the LTI are included in the Remuneration Report section of this Report (audited by the external auditors).</p> <p>LTI participants who are awarded equity based remuneration via the scheme are prohibited from entering into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme.</p>			

**Mineral Resources Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2015**

	Note	Consolidated 2015 \$'000	2014 \$'000
<b>Revenue</b>	4	1,299,063	1,899,032
Other income	5	8,437	116,286
<b>Expenses</b>			
Changes in closing stock		(18,565)	51,201
Raw materials and consumables		(136,639)	(247,169)
Equipment costs		(37,721)	(45,589)
Subcontractors		(135,235)	(295,620)
Employee benefits expense		(222,170)	(244,897)
Transport and freight		(386,177)	(488,518)
Depreciation and amortisation	6	(126,904)	(196,684)
Other expenses		(83,992)	(184,929)
Finance costs	6	(7,728)	(17,768)
<b>Operating profit before impairment charges and income tax expense</b>		<u>152,369</u>	<u>345,345</u>
Income tax on operating profit before impairment charges	7	(43,482)	(102,074)
<b>Profit after tax before non cash impairment charges and adjustments for Minerals Resource Rent Tax ("MRRT")</b>		<u>108,887</u>	<u>243,271</u>
Impairment charges	6	(44,544)	(18,193)
Income tax on impairment charges	7	13,363	5,458
<b>Profit before MRRT expense</b>		<u>77,706</u>	<u>230,536</u>
Tax expense on reversal of MRRT deferred tax assets	7	(65,162)	-
<b>Profit after income tax expense for the year</b>		<u>12,544</u>	<u>230,536</u>
Included within profit after income tax expense for the year is total income tax expense of \$95,281,000 (2014: \$96,616,000)			
<b>Other comprehensive income</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>			
Net change in asset revaluation reserve		182	157
Reversal of asset revaluation reserve previously recognised, net of tax		(4,949)	-
Other comprehensive income for the year, net of tax		<u>(4,767)</u>	<u>157</u>
<b>Total comprehensive income for the year</b>		<u><u>7,777</u></u>	<u><u>230,693</u></u>
Profit for the year is attributable to:			
Non-controlling interest		(270)	(551)
Owners of Mineral Resources Limited	26	<u>12,814</u>	<u>231,087</u>
		<u><u>12,544</u></u>	<u><u>230,536</u></u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(270)	(551)
Owners of Mineral Resources Limited		<u>8,047</u>	<u>231,244</u>
		<u><u>7,777</u></u>	<u><u>230,693</u></u>
		<b>Cents</b>	<b>Cents</b>
Basic and diluted profit per share after tax before impairment and MRRT (cents per share)	39	58.19	136.64
Basic and diluted profit per share (cents per share)	39	6.85	124.10

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

**Mineral Resources Limited**  
**Statement of financial position**  
**As at 30 June 2015**

	Note	Consolidated 2015 \$'000	2014 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	209,814	206,454
Trade and other receivables	9	136,352	142,862
Inventories	10	73,447	111,040
Financial assets (investment in AQA shares)	11	-	178,977
Current tax assets		3,147	-
Other		5,392	15,012
<b>Total current assets</b>		<u>428,152</u>	<u>654,345</u>
<b>Non-current assets</b>			
Receivables	12	11,053	6,511
Investments accounted for using the equity method		190	190
Financial assets	13	7,417	3,553
Property, plant and equipment	14	672,107	660,917
Intangibles	15	61,746	66,701
Exploration and mine development	16	372,516	378,217
Deferred tax	17	38,395	87,784
<b>Total non-current assets</b>		<u>1,163,424</u>	<u>1,203,873</u>
<b>Total assets</b>		<u>1,591,576</u>	<u>1,858,218</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	18	161,776	327,150
Borrowings	19	20,731	44,000
Current tax liabilities		-	63,277
Employee benefits	20	11,750	14,654
Provisions	21	27,617	9,050
<b>Total current liabilities</b>		<u>221,874</u>	<u>458,131</u>
<b>Non-current liabilities</b>			
Borrowings	22	70,892	81,708
Deferred tax	23	182,806	168,285
Employee benefits		-	162
Provisions	24	33,851	10,623
<b>Total non-current liabilities</b>		<u>287,549</u>	<u>260,778</u>
<b>Total liabilities</b>		<u>509,423</u>	<u>718,909</u>
<b>Net assets</b>		<u>1,082,153</u>	<u>1,139,309</u>
<b>Equity</b>			
Issued capital	25	504,771	495,552
Reserves		1,371	6,138
Retained profits	26	555,925	616,860
Equity attributable to the owners of Mineral Resources Limited		<u>1,062,067</u>	<u>1,118,550</u>
Non-controlling interest		20,086	20,759
<b>Total equity</b>		<u>1,082,153</u>	<u>1,139,309</u>

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

**Mineral Resources Limited**  
**Statement of changes in equity**  
**For the year ended 30 June 2015**

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Retained profits \$'000</b>	<b>Non-controlling interest \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2013	490,562	5,981	501,183	20,015	1,017,741
Profit/(loss) after income tax expense for the year	-	-	231,087	(551)	230,536
Other comprehensive income for the year, net of tax	-	157	-	-	157
Total comprehensive income/(loss) for the year	-	157	231,087	(551)	230,693
<i>Transactions with owners in their capacity as owners:</i>					
Other	822	-	-	-	822
Transaction with non-controlling interest	-	-	-	1,295	1,295
Shares issued under Dividend Reinvestment Plan	4,168	-	-	-	4,168
Dividends paid (note 27)	-	-	(115,410)	-	(115,410)
Balance at 30 June 2014	<u>495,552</u>	<u>6,138</u>	<u>616,860</u>	<u>20,759</u>	<u>1,139,309</u>

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Retained profits \$'000</b>	<b>Non-controlling interest \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2014	495,552	6,138	616,860	20,759	1,139,309
Profit/(loss) after income tax expense for the year	-	-	12,814	(270)	12,544
Other comprehensive loss for the year, net of tax	-	(4,767)	-	-	(4,767)
Total comprehensive income/(loss) for the year	-	(4,767)	12,814	(270)	7,777
<i>Transactions with owners in their capacity as owners:</i>					
Transaction with non-controlling interest	-	-	-	(403)	(403)
Share issued under Dividend Reinvestment Plan	9,219	-	-	-	9,219
Dividends paid (note 27)	-	-	(73,749)	-	(73,749)
Balance at 30 June 2015	<u>504,771</u>	<u>1,371</u>	<u>555,925</u>	<u>20,086</u>	<u>1,082,153</u>

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

**Mineral Resources Limited**  
**Statement of cash flows**  
**For the year ended 30 June 2015**

	Note	Consolidated 2015 \$'000	2014 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		1,357,548	2,048,915
Payments to suppliers and employees (inclusive of GST)		<u>(1,208,854)</u>	<u>(1,455,286)</u>
Other revenue		148,694	593,629
Interest received		363	39,439
Interest and other finance costs paid		2,689	5,513
Income taxes paid		<u>(4,899)</u>	<u>(16,734)</u>
		(94,497)	(55,291)
Net cash from operating activities	38	<u>52,350</u>	<u>566,556</u>
<b>Cash flows from investing activities</b>			
Payments for investments		(6,927)	(873)
Proceeds from disposal of/(payments for) investment in AQA		178,977	(197,170)
Payments for property, plant and equipment		(110,084)	(148,944)
Payments for intangibles		(1,380)	(5,263)
Payments for exploration and evaluation		(7,426)	(11,353)
Payments for mine development		(902)	(18,542)
Payments for increased investment in subsidiary		(499)	-
Proceeds from disposal of property, plant and equipment		<u>2,281</u>	<u>322,145</u>
Net cash from/(used in) investing activities		<u>54,040</u>	<u>(60,000)</u>
<b>Cash flows from financing activities</b>			
Proceeds from exercise of share options		-	822
Loan advanced to third party		(4,500)	(6,400)
Dividends paid		(64,446)	(109,946)
Net repayment of borrowings		<u>(34,084)</u>	<u>(242,410)</u>
Net cash used in financing activities		<u>(103,030)</u>	<u>(357,934)</u>
Net increase in cash and cash equivalents		3,360	148,622
Cash and cash equivalents at the beginning of the financial year		<u>206,454</u>	<u>57,832</u>
Cash and cash equivalents at the end of the financial year	8	<u><u>209,814</u></u>	<u><u>206,454</u></u>

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

### **Note 1. Significant accounting policies**

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### **New, revised or amending 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.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

- AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
- AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting
- AASB 2013-5 Amendments to Australian Accounting Standards - Investment Entities
- AASB 2014-1 Amendments to Australian Accounting Standards (Parts A to C).

#### **Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of property, plant and equipment and derivative financial instruments.

#### *Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

#### **Parent entity information**

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the Company is disclosed in note 35.

#### **Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2015 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**Note 1. Significant accounting policies (continued)**

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the Group. Losses incurred by the Group are attributed to the non-controlling interest in full, even if that results in a deficit balance.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

**Operating segments**

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

**Revenue recognition**

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

*Goods sold*

Revenue from the sale of goods and disposal of other assets is recognised when persuasive evidence, usually in the form of an executed sales agreement, or an arrangement exists, indicating there has been a transfer of risks and rewards to the customer, no further work or processing is required by the Group, the quantity and quality of the goods has been determined with reasonable accuracy, the price is fixed or determinable, and collectability is reasonably assured. This is generally when title passes. The majority of the Group's sales agreements specify that title passes when the product is delivered to the destination specified by the customer, which is typically the vessel on which the product will be shipped. In practical terms, revenue is generally recognised on the bill of lading date, which is the date the commodity is delivered to the shipping agent. These sales agreements also allow for an adjustment to the sales price based on a survey of the goods by the customer (an assay for mineral content), therefore recognition of the sales revenue is based on the most recently determined estimate of product specifications.

*Rendering of services*

Revenue from services rendered is recognised in the statement of profit or loss and other comprehensive income in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to work performed.

No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due or if the costs incurred or to be incurred cannot be measured reliably.

**Note 1. Significant accounting policies (continued)**

*Construction contracts*

Contract revenue and expenses are generally recognised on an individual contract basis using percentage of completion method when the stage or contract completion can be reliably determined, costs to date can be clearly identified, and total contract revenue and costs to complete can be reliably estimated. Two or more contracts are treated as a single contract where the contracts are negotiated as a single package, are closely interrelated and are performed concurrently or in a continuous sequence.

Profit recognition for lump sum fixed price contracts does not commence until cost to completion can be reliably measured.

Stage of contract completion is generally measured by reference to physical completion. An assessment of total labour hours and other costs incurred to date as a percentage of estimated total costs for each contract is used if it is an appropriate proxy for physical completion. Task-lists, milestones, etc. are also used to calculate or confirm the percentage of completion if appropriate.

Where the outcome of a contract cannot be reliably estimated, contract costs are expensed as incurred. Where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred. An expected loss is recognised immediately as an expense.

**Income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Mineral Resources Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

**Note 1. Significant accounting policies (continued)**

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

**Current and non-current classification**

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in the normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent, unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

**Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**Trade and other receivables**

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 to 90 days, depending on contract terms.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

**Inventories**

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'weighted average' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

*Construction work in progress*

Construction work in progress is valued at cost, plus profit recognised to date, less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis. Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date as compared to expected actual costs. Where losses are anticipated they are provided for in full.

**Note 1. Significant accounting policies (continued)**

**Investments and other financial assets**

Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the asset is derecognised or impaired.

*Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets, principally equity securities, that are either designated as available-for-sale or not classified as any other category. After initial recognition, fair value movements are recognised in other comprehensive income through the available-for-sale reserve in equity. Cumulative gain or loss previously reported in the available-for-sale reserve is recognised in profit or loss when the asset is derecognised or impaired.

Available-for-sale financial assets are classified as non current assets when they are expected to be sold after 12 months from the end of the reporting period. All other available-for-sale financial assets are classified as current assets.

*Impairment of financial assets*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. Objective evidence includes significant financial difficulty of the issuer or obligor; a breach of contract such as default or delinquency in payments; the lender granting to a borrower concessions due to economic or legal reasons that the lender would not otherwise do; it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for the financial asset; or observable data indicating that there is a measurable decrease in estimated future cash flows.

The amount of the impairment allowance for loans and receivables carried at amortised cost is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. If there is a reversal of impairment, the reversal cannot exceed the amortised cost that would have been recognised had the impairment not been made and is reversed to profit or loss.

Available-for-sale financial assets are considered impaired when there has been a significant or prolonged decline in value below initial cost. Subsequent increments in value are recognised in other comprehensive income through the available-for-sale reserve.

**Property, plant and equipment**

*Owned assets*

Items of plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate portion of production overheads. The cost of self-constructed and acquired assets includes (i) the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and (ii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

*Leased assets*

Leases in terms of which the Group assumes substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are stated at an amount equal to the lower of fair value and the present value of minimum lease payment at inception of the lease, less accumulated depreciation and impairment losses.

**Note 1. Significant accounting policies (continued)**

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Buildings	40 years
Plant and equipment financed	3 - 20 years or the term of the lease
Plant and equipment	1 - 10 years or usage basis

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

*Subsequent costs*

The Group recognises in the carrying amount of an item of plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the statement of profit or loss and other comprehensive income as an expense as incurred.

*Revaluation*

Increases in the carrying amount arising on the revaluation of plant and equipment are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the statement of profit or loss and other comprehensive income.

**Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

**Intangible assets**

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

*Goodwill*

Goodwill arises on the acquisition of a business. Goodwill is not amortised; instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

**Note 1. Significant accounting policies (continued)**

*Patents and trademarks*

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit.

*Port access rights*

Port access rights acquired as part of a business combination are recognised separately from goodwill. The rights are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated based on the timing of projected cash flows of the access rights over tonnages shipped.

**Exploration and evaluation assets**

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the statement of financial position where it is expected that the expenditure will be recovered through successful development and exploitation of an area of interest, or by its sale; or where exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred is written off in the financial period in which the decision is made.

**Development expenditure**

Development expenditure incurred by or on behalf of the Group is accumulated separately for each area of interest in which economically recoverable resources have been identified. Such expenditure comprises cost directly attributable to the construction of a mine and the related infrastructure.

Once a development decision has been taken, the carrying amount of the exploration and evaluation expenditure in respect of the area of interest is aggregated with the development expenditure and classified under non-current assets as development properties.

A development property is reclassified as a mining property at the end of the commissioning phase, when the mine is capable of operating in the manner intended by management.

Depreciation is charged using the units-of-production method, with separate calculations being made for each area of interest. The units-of-production basis results in a depreciation charge proportional to the depletion of proved, probable and estimated reserves. Development properties are tested for impairment in accordance with the policy on impairment of assets.

**Development stripping**

Development stripping costs arise from the removal of overburden and other mine waste materials removed during the development of a mine site in order to access mineral deposits. Costs directly attributable to development stripping activities costs, inclusive of an allocation of relevant overhead expenditure, are initially capitalised to exploration and evaluation expenditure. Capitalisation of development stripping costs ceases at the time that saleable material begins to be extracted from the mine. On completion of development, all capitalised development stripping included in Exploration and Evaluation is transferred to mine development expenditures. Production stripping commences at the time that saleable materials begin to be extracted from the mine and, under normal circumstances, continue throughout the life of the mine. Costs of production stripping are charged to profit or loss as operating costs when the ratio of waste material to ore extracted for an area of interest is expected to be constant throughout its estimated life.

When the ratio of waste to ore is not expected to be constant, production stripping costs are accounted for as follows:

- i. All costs are initially charged to profit or loss and classified as operating costs;
- ii. When the current ratio of waste to ore is greater than the estimated life-of-mine ratio, a portion of the stripping costs (inclusive of an allocation of relevant overhead expenditure) is capitalised to mine development expenditure;
- iii. The amount of production stripping costs capitalised or charged in a financial year is determined so that the stripping expense for the financial year reflects the estimated life-of-mine ratio. Stripping costs are amortised against the profit or loss to the extent that, in subsequent periods, the current period ratio falls short of the life-of-mine-ratio. Changes to the estimated life-of-mine ratio are accounted for prospectively from the date of the change.

**Note 1. Significant accounting policies (continued)**

**Interest in Joint Ventures**

The Group's share of the assets, liabilities, revenue and expenses of jointly controlled assets has been included in the appropriate line items of the consolidated financial statements.

The Group's interests in joint venture entities are brought to account using the proportionate consolidation method.

Where the Group contributes assets to a joint venture, or if the Group purchases assets from a joint venture, only the portion of the gain or loss that is not attributable to the Group's share of the joint venture is recognised. The Group however recognises the full amount of any loss when the contribution results in a reduction in the net realisable value of current assets or an impairment loss.

**Impairment of non-financial assets**

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. Value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

**Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

**Borrowings**

Loans and borrowings are initially recognised at fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after reporting date, loans or borrowings are classified as non-current.

**Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**Provisions**

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

**Employee benefits**

*Short-term employee benefits*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date, are measured at amounts expected to be paid when the liabilities are settled.

**Note 1. Significant accounting policies (continued)**

*Other long-term employee benefits*

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

**Fair value measurement**

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either in the principal market, or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified into three levels using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

**Foreign currency transactions**

The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**Issued capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Dividends**

Dividends are recognised when declared during the financial year and are no longer at the discretion of the Company.

**Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

**Note 1. Significant accounting policies (continued)**

*Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**Goods and Services Tax ('GST') and other similar taxes**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In the latter case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

**Rounding of amounts**

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

**New Accounting Standards and Interpretations not yet mandatory or early adopted**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2015. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

*AASB 9 Financial Instruments*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group.

*AASB 2014-4 Amendments to Australian Accounting Standards - Clarification of Acceptable Methods of Depreciation and Amortisation*

These amendments are applicable to annual reporting periods beginning on or after 1 January 2016. AASB 2014-4 amends AASB 116 and AASB 138 to clarify that depreciation and amortisation should be based on the expected pattern of consumption of an asset, that the use of revenue based methods to calculate depreciation is not appropriate, and that there is a rebuttable presumption that revenue is an inappropriate basis for measuring the consumption of the economic benefit embodied in an intangible asset. The adoption of these amendments from 1 July 2016 will not have a material impact on the Group.

**Note 1. Significant accounting policies (continued)**

*AASB 15 Revenue from Contracts with Customers*

This standard is applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The Group will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the Group.

**Note 2. Critical accounting judgements, estimates and assumptions**

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. Judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

*Provision for impairment of receivables*

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

*Estimation of useful lives of assets*

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. Useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives. Technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

*Goodwill and other indefinite life intangible assets*

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 1. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

*Income tax*

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

**Note 2. Critical accounting judgements, estimates and assumptions (continued)**

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

*Exploration and evaluation costs*

Exploration and evaluation costs have been capitalised on the basis that the Group will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of associated mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are capitalised only if expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

*Ore reserve and resource estimates*

Ore reserves are estimates of the amount of product that can be economically and legally extracted from the Group's current mining tenements. The Group estimates its ore reserves based on information compiled by appropriately qualified persons able to interpret the geological data. The estimation of recoverable reserves is based on factors such as estimates of foreign exchange rates, commodity prices, future capital requirements and production costs, along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact on the value of exploration and evaluation assets, mine properties, property plant and equipment, provision for rehabilitation and depreciation and amortisation charges.

*Units of production depreciation*

Estimated recoverable reserves are used in determining the depreciation and/or amortisation of mine specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's life, which is assessed annually, has regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The Group adopts a Run of Mine tonnes of ore produced methodology.

*Construction contracts*

Construction contracts require significant estimates and assumptions in relation to:

- determining the stage of completion,
- estimation of total contract revenue and contract costs,
- acceptance of the probability of customer approval of variations and acceptance of claims,
- estimation of project completion date,
- assumed levels of project execution productivity.

These uncertainties may result in future project outcomes that differ from the amounts currently expected.

Where the outcome of a contract cannot be reliably estimated, contract costs are expensed as incurred. Where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred. An expected loss is recognised immediately as an expense.

**Note 2. Critical accounting judgements, estimates and assumptions (continued)**

*Site rehabilitation provisions*

In accordance with the Group's legal requirements, provision is made for the anticipated costs of future restoration and rehabilitation of areas from which natural resources have been extracted. The provision includes costs associated with dismantling of assets, reclamation, plant closure, waste site closure, monitoring, demolition and decontamination. The provision is based upon current costs and has been determined on a discounted basis with reference to current legal requirements and current technology.

In each financial period the impact of unwinding of the discount is recognised in the statement of profit or loss and other comprehensive income as a financing cost. Any change in the restoration provision is recorded against the carrying value of the provision and the related asset, only to the extent that it is probable that future economic benefits associated with the restoration expenditure will flow to the entity, with the effect being recognised in the statement of profit or loss and other comprehensive income on a prospective basis over the remaining life of the relevant operation. The restoration provision is separated into current (estimated costs arising within 12 months) and non-current components based on the expected timing of these cash flows.

*Project closure*

At the completion of some projects the Group has a liability for redundancy and the cost of relocating crushing and other mobile plant. An assessment is undertaken on the probability that such expenses will be incurred in the normal business of contracting services and is provided for in the financial statements.

**Note 3. Operating segments**

*Business segment*

The Group has identified its operating segments based on internal management reports that are reviewed by the Board (the Chief Operating Decision Makers) 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 and 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.

**Mineral Resources Limited**  
**Notes to the financial statements**  
**30 June 2015**

**Note 3. Operating segments (continued)**

*Operating segment information*

<b>Consolidated - 2015</b>	<b>Mining Services &amp; Processing \$'000</b>	<b>Mining \$'000</b>	<b>Central \$'000</b>	<b>Total \$'000</b>
<b>Total revenue</b>	569,879	729,364	(180)	1,299,063
Other income	2,916	1,530	17	4,463
Other expenses	(335,993)	(677,242)	(7,264)	(1,020,499)
<b>Earnings before interest, tax, depreciation and amortisation</b>	236,802	53,652	(7,427)	283,027
Depreciation and amortisation	(72,026)	(52,929)	(1,949)	(126,904)
Interest income	58	122	3,794	3,974
Finance costs	(764)	(37)	(6,927)	(7,728)
<b>Operating profit/(loss) before impairment charges and income tax</b>	164,070	808	(12,509)	152,369
Income tax on operating profit before impairment charges				(43,482)
<b>Profit after tax before impairment charges</b>				108,887
Impairment charges, net of tax				(31,181)
<b>Profit before MRRT expense</b>				77,706
Income tax expense on reversal of MRRT deferred tax assets				(65,162)
<b>Profit after income tax expense</b>				12,544
<b>Assets</b>				
Segment assets	899,032	651,661	40,883	1,591,576
<b>Total assets</b>				1,591,576
<b>Liabilities</b>				
Segment liabilities	293,971	186,256	29,196	509,423
<b>Total liabilities</b>				509,424

**Mineral Resources Limited**  
**Notes to the financial statements**  
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**Note 3. Operating segments (continued)**

**Consolidated - 2014**

	<b>Mining Services &amp; Processing \$'000</b>	<b>Mining \$'000</b>	<b>Central \$'000</b>	<b>Total \$'000</b>
<b>Total revenue</b>	950,778	948,254	-	1,899,032
Other income	109,689	-	861	110,550
Other expenses	(694,427)	(754,818)	(6,276)	(1,455,521)
<b>Earnings before interest, tax, depreciation and amortisation</b>	366,040	193,436	(5,415)	554,061
Depreciation and amortisation	(103,761)	(89,098)	(3,825)	(196,684)
Interest income	2	71	5,663	5,736
Finance costs	(6,489)	(59)	(11,220)	(17,768)
<b>Operating profit/(loss) before impairment charges and income tax</b>	255,792	104,350	(14,797)	345,345
Income tax on operating profit before impairment charges				(102,074)
<b>Profit after tax before impairment charges</b>				243,271
Impairment charges, net of tax				(12,735)
<b>Profit after income tax expense</b>				230,536

**Assets**

Segment assets	1,202,406	621,482	34,330	1,858,218
<b>Total assets</b>				1,858,218

**Liabilities**

Segment liabilities	373,197	112,967	232,745	718,909
<b>Total liabilities</b>				718,909

*Intersegment revenue*

	<b>Mining Services &amp; Processing \$'000</b>	<b>Mining \$'000</b>	<b>Central \$'000</b>	<b>Total \$'000</b>
<b>Consolidated - 2015</b>				
<b>Revenue</b>				
Sales to internal and external customers	696,415	729,512	(180)	1,425,747
Intersegment sales	(126,536)	(148)	-	(126,684)
<b>Total revenue</b>	569,879	729,364	(180)	1,299,063

**Consolidated - 2014**

**Revenue**

Sales to internal and external customers	1,137,243	948,332	-	2,085,575
Intersegment sales	(186,465)	(78)	-	(186,543)
<b>Total revenue</b>	950,778	948,254	-	1,899,032

**Note 3. Operating segments (continued)**

*Geographical information*

	Sales to external customers		Geographical non-current assets	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Australia	529,841	711,207	1,117,422	1,112,346
China	455,500	399,963	-	-
Singapore	157,791	557,783	-	-
Other	155,931	230,079	190	190
	<u>1,299,063</u>	<u>1,899,032</u>	<u>1,117,612</u>	<u>1,112,536</u>

The geographical non-current assets above are exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts.

*Revenue by customers*

Revenue from services provided and mining product sold was comprised of the following clients and buyers who each on a proportionate basis equated to greater than 10% of total sales for the year.

During the year ended 30 June 2015, revenues of \$286,580,000 (Mining Services Segment) being 22.1% of total external revenues, was derived from the Group's largest customers. During the year ended 30 June 2014, revenues of \$364,006,000 (Mining Services Segment) and \$273,999,000 (Mining Segment) being 19.2% and 14.4% of total external revenues respectively were derived from the Group's largest customers.

**Note 4. Revenue**

	Consolidated	
	2015 \$'000	2014 \$'000
Contract and operational revenue	515,672	745,544
Sale of goods	782,208	1,151,997
Equipment rental	1,183	1,491
	<u>1,299,063</u>	<u>1,899,032</u>
Revenue	<u>1,299,063</u>	<u>1,899,032</u>

**Mineral Resources Limited**  
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**Note 5. Other income**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Net gain on disposal of property, plant and equipment	337	61,852
Gain arising on effective settlement of legal claims	-	46,437
Interest income	3,973	5,736
Rent received	-	861
Other	4,127	1,400
	<u>8,437</u>	<u>116,286</u>
Other income	<u>8,437</u>	<u>116,286</u>

**Note 6. Expenses**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	<u>102,897</u>	<u>133,730</u>
<i>Amortisation</i>		
Mine development expenditure	16,042	51,713
Port access rights	5,908	7,129
Others	<u>2,057</u>	<u>4,112</u>
Total amortisation	<u>24,006</u>	<u>62,954</u>
Total depreciation and amortisation	<u>126,904</u>	<u>196,684</u>
<i>Impairment</i>		
Trade receivables (associated with manganese stockpiles)	26,959	-
Inventory	14,849	-
Property, plant and equipment	893	-
Investments	<u>1,843</u>	<u>18,193</u>
Total impairment	<u>44,544</u>	<u>18,193</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable	<u>7,728</u>	<u>17,768</u>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	<u>6,299</u>	<u>9,268</u>
<i>Research costs</i>		
Research costs	<u>57,004</u>	<u>84,573</u>

**Mineral Resources Limited**  
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**Note 7. Income tax expense**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Income tax expense</i>		
Operating profit	43,482	102,074
Impairment charges	(13,363)	(5,458)
Reversal of MRRT deferred tax expense	65,162	-
	<u>95,281</u>	<u>96,616</u>
Current tax	36,078	114,620
Deferred tax - origination and reversal of temporary differences	59,327	(15,587)
Adjustment recognised for prior periods	(124)	(2,417)
	<u>95,281</u>	<u>96,616</u>
Aggregate income tax expense		
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 17)	43,015	(3,762)
Increase/(decrease) in deferred tax liabilities (note 23)	16,312	(11,825)
	<u>59,327</u>	<u>(15,587)</u>
Deferred tax - origination and reversal of temporary differences		
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Operating profit before impairment charges and income tax expense	152,369	345,345
Impairment charges	(44,544)	(18,193)
	<u>107,825</u>	<u>327,152</u>
Profit before income tax expense		
Tax at the statutory tax rate of 30%	32,348	98,146
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Amortisation of intangibles	-	5,458
Non allowable expenses	3,395	3,018
Research and development concessions	(5,700)	(8,457)
Reversal of Mining Resources Rent Tax	65,162	-
	<u>95,205</u>	<u>98,165</u>
Adjustment recognised for prior periods	(124)	(2,417)
Current year tax losses not recognised	200	868
	<u>95,281</u>	<u>96,616</u>
Income tax expense		
<i>Amounts credited directly to equity</i>		
Deferred tax assets (note 17)	-	(10)
Deferred tax liabilities (note 23)	(3,421)	(180)
	<u>(3,421)</u>	<u>(190)</u>
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	25,113	24,851
	<u>7,534</u>	<u>7,455</u>
Potential tax benefit at 30%		

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can be utilised in the future only if the continuity of ownership test is passed, or failing that, the same business test is passed.

**Mineral Resources Limited**  
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**Note 8. Current assets - cash and cash equivalents**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and on hand	209,814	180,449
Deposits at call	-	26,005
	<u>209,814</u>	<u>206,454</u>

**Note 9. Current assets - trade and other receivables**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	169,983	146,796
Provision for impairment	(33,631)	(3,934)
	<u>136,352</u>	<u>142,862</u>

Included in the trade and other receivables is amounts due from customers in relation to construction contracts of \$455,000 (2014: \$5,038,000)

*Impairment of receivables*

The Group has recognised an additional provision of \$29,697,000 (2014: \$3,280,000) in profit and loss in respect of impairment of receivables for the year ended 30 June 2015.

The ageing of impaired receivables provided for above are as follows:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
0 to 3 months overdue	150	-
3 to 6 months overdue	-	3,280
Over 6 months overdue	33,481	654
	<u>33,631</u>	<u>3,934</u>

Movements in the provision for impairment of receivables are as follows:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	3,934	654
Additional provisions recognised	29,697	3,280
Closing balance	<u>33,631</u>	<u>3,934</u>

*Past due but not impaired*

Customers with balances past due but without provision for impairment of receivables amount to \$2,498,000 as at 30 June 2015 (\$29,906,000 as at 30 June 2014).

The Group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

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**Note 9. Current assets - trade and other receivables (continued)**

The ageing of the past due but not impaired receivables is as follows:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
61-90 days overdue	1,938	25,436
Over 90 days overdue	560	4,470
	<u>2,498</u>	<u>29,906</u>

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Construction contracts</i>		
Contract costs incurred to date and profit recognised to date	555,305	307,145
Less: Progress billings received and receivable	<u>(597,686)</u>	<u>(434,336)</u>
Net construction work in progress	<u>(42,381)</u>	<u>(127,191)</u>
Representing:		
Amounts due from customers included in trade receivables	455	5,038
Amounts due to suppliers included in trade and other payables (note 18 and note 21)	<u>(42,836)</u>	<u>(132,229)</u>
	<u>(42,381)</u>	<u>(127,191)</u>

**Note 10. Current assets - inventories**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Raw materials and stores	12,323	10,557
Ore inventory stockpiles	46,110	77,000
Work in progress	<u>15,014</u>	<u>23,483</u>
	<u>73,447</u>	<u>111,040</u>

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**Note 11. Current assets - financial assets (investment in AQA shares)**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Investment in listed corporation - at fair value	-	178,977
	<u>-</u>	<u>178,977</u>
<i>Reconciliation</i>		
Reconciliation of the fair values at the beginning and end of the current financial year are set out below:		
Opening fair value	178,977	-
Additions	-	197,170
Disposals	(178,977)	-
Impairment loss	-	(18,193)
	<u>-</u>	<u>(18,193)</u>
Closing fair value	-	178,977
	<u>-</u>	<u>178,977</u>

Refer to note 29 for further information on fair value measurement.

*Classification of available-for-sale financial assets*

The Group classifies financial assets as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

The Group designated its investment in Aquila Resources Limited (ASX:AQA) disposed of on 3 July 2014, as a financial asset available for sale.

**Note 12. Non-current assets - receivables**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Loan receivable	10,900	6,400
Security deposits	153	111
	<u>11,053</u>	<u>6,511</u>

The trade receivables are not past due or nor impaired. The carrying amount is equivalent to fair value.

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**Note 13. Non-current assets - financial assets**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Shares in listed corporations - at fair value	376	343
Investment in unlisted company	7,041	3,210
	<u>7,417</u>	<u>3,553</u>
	<u><u>7,417</u></u>	<u><u>3,553</u></u>

*Reconciliation*

Reconciliation of the fair values at the beginning and end of the current financial year are set out below:

Opening fair value	3,553	2,712
Additions	3,864	874
Revaluation decrements	-	(33)
	<u>7,417</u>	<u>3,553</u>
Closing fair value	<u><u>7,417</u></u>	<u><u>3,553</u></u>

Refer to note 29 for further information on fair value measurement.

**Note 14. Non-current assets - property, plant and equipment**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Land - cost	13,319	13,319
Buildings - cost	10,350	10,350
Less: Accumulated depreciation	(725)	(440)
	<u>9,625</u>	<u>9,910</u>
Plant and equipment financed - cost	93,206	15,588
Less: Accumulated depreciation	(6,094)	(1,968)
	<u>87,112</u>	<u>13,620</u>
Plant and equipment - cost	897,024	930,470
Less: Accumulated depreciation	(334,973)	(306,402)
	<u>562,051</u>	<u>624,068</u>
	<u><u>672,107</u></u>	<u><u>660,917</u></u>

**Mineral Resources Limited**  
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**Note 14. Non-current assets - property, plant and equipment (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Land \$'000</b>	<b>Building \$'000</b>	<b>Plant &amp; equipment financed \$'000</b>	<b>Plant &amp; equipment \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2013	13,319	9,990	105,435	776,267	905,011
Additions	-	200	-	148,744	148,944
Disposals and write off of assets	-	-	(6,179)	(253,129)	(259,308)
Transfers in/(out)	-	-	(81,061)	81,061	-
Depreciation expense	-	(280)	(4,575)	(128,875)	(133,730)
Balance at 30 June 2014	13,319	9,910	13,620	624,068	660,917
Additions	-	-	78,512	49,087	127,599
Disposals and write off of assets	-	-	(80)	(3,250)	(3,330)
Revaluation decrements	-	-	-	(10,182)	(10,182)
Depreciation expense	-	(285)	(4,940)	(97,672)	(102,897)
Balance at 30 June 2015	<u>13,319</u>	<u>9,625</u>	<u>87,112</u>	<u>562,051</u>	<u>672,107</u>

*Property, plant and equipment secured under finance leases*

Refer to note 33 for further information on property, plant and equipment secured under finance leases.

*Assets in the course of construction*

The carrying amounts of the assets disclosed above includes \$47,187,000 (2014:\$48,513,000) recognised in relation to plant and equipment in the course of construction.

**Note 15. Non-current assets - intangibles**

	<b>Consolidated 2015 \$'000</b>	<b>2014 \$'000</b>
Goodwill - cost	10,235	10,235
Patents - cost	17,660	15,910
Less: Accumulated amortisation	(4,525)	(3,295)
	<u>13,135</u>	<u>12,615</u>
Port access rights - cost	48,518	48,558
Less: Accumulated amortisation	(15,789)	(9,881)
	<u>32,729</u>	<u>38,677</u>
Operating lease - cost	7,038	7,038
Less: Accumulated amortisation	(2,815)	(2,112)
	<u>4,223</u>	<u>4,926</u>
Other - cost	1,644	344
Less: Accumulated amortisation	(220)	(96)
	<u>1,424</u>	<u>248</u>
	<u>61,746</u>	<u>66,701</u>

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**Note 15. Non-current assets - intangibles (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Goodwill \$'000</b>	<b>Patents \$'000</b>	<b>Port access rights \$'000</b>	<b>Operating lease \$'000</b>	<b>Others \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2013	10,235	10,984	45,951	5,630	49	72,849
Additions	-	4,926	59	-	278	5,263
Transfers in/(out)	-	-	(204)	-	-	(204)
Amortisation expense	-	(3,295)	(7,129)	(704)	(79)	(11,207)
Balance at 30 June 2014	10,235	12,615	38,677	4,926	248	66,701
Additions	-	1,750	78	-	1,300	3,128
Transfers in/(out)	-	-	(118)	-	-	(118)
Amortisation expense	-	(1,230)	(5,908)	(703)	(124)	(7,965)
Balance at 30 June 2015	<u>10,235</u>	<u>13,135</u>	<u>32,729</u>	<u>4,223</u>	<u>1,424</u>	<u>61,746</u>

**Impairment testing**

The following cash generating units have carrying amounts of goodwill:

	<b>Consolidated</b>	
	<b>2015 \$'000</b>	<b>2014 \$'000</b>
PIHA Pty Ltd	8,817	8,817
Process Minerals International Pty Ltd	1,418	1,418
	<u>10,235</u>	<u>10,235</u>

Goodwill has an indefinite life.

The recoverable amount of each cash generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a three-year period, together with a terminal value. The cash flows are discounted using the target weighted average cost of capital for the Group.

The following assumptions were used in the value-in-use calculations:

Real pre-tax discount rate - 14.4% (2014: 14.4%)

Growth rate of cash flows - 2.5% (2014: 2.5%)

**Note 16. Non-current assets - exploration and mine development**

	<b>Consolidated</b>	
	<b>2015 \$'000</b>	<b>2014 \$'000</b>
Exploration and evaluation	315,599	309,395
Mine development	157,312	158,438
Less: Accumulated amortisation	(100,395)	(89,616)
	<u>56,917</u>	<u>68,822</u>
	<u>372,516</u>	<u>378,217</u>

**Mineral Resources Limited**  
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**Note 16. Non-current assets - exploration and mine development (continued)**

*Reconciliations*

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

<b>Consolidated</b>	<b>Exploration and evaluation \$'000</b>	<b>Mine development \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2013	301,875	101,993	403,868
Additions	11,353	18,542	29,895
Write off of assets	(3,833)	-	(3,833)
Amortisation expense	-	(51,713)	(51,713)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2014	309,395	68,822	378,217
Additions	7,434	4,420	11,854
Write off of assets	(1,230)	(283)	(1,513)
Amortisation expense	-	(16,042)	(16,042)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2015	<u>315,599</u>	<u>56,917</u>	<u>372,516</u>

The recoverable amount of each cash generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over life of respective mine.

The following assumptions were used in the value-in-use calculations:

*Future production:*

Estimation of the future production is based on a detailed data analysis that reflects current life of mine and long term production plans. As each area of interest has specific economic characteristics, the cash flows applied have been calculated using appropriate models and key assumptions established by management.

*Commodity prices:*

Commodity prices are externally sourced, forward consensus prices, adjusted for ore properties.

*Exchange rates:*

Exchange rates are externally sourced forward consensus rates.

*Discount rate:*

A real pre-tax discount rate of 14.4% (2014: 14.4%) was applied to the pre-tax cash flows. The discount rate represents the targeted weighted average cost of capital of the Group, with appropriate adjustments made to reflect the risks specific to the cash generating unit.

**Mineral Resources Limited**  
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**Note 17. Non-current assets - deferred tax**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Deferred tax asset comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Tax losses	-	3,633
Impairment of receivables	12,351	2,049
Impairment on inventory	299	-
Employee benefits	1,420	1,850
Mineral Resource Rent Tax	-	65,162
Provisions	23,212	11,399
Borrowings	946	1,529
Other	167	2,162
	<u>38,395</u>	<u>87,784</u>
<i>Movements:</i>		
Opening balance	87,784	83,330
(Charged)/credited to profit or loss (note 7)	(43,015)	3,762
Credited to equity (note 7)	-	10
(Over)/under provision from prior year	(6,374)	682
	<u>38,395</u>	<u>87,784</u>
Deferred tax asset	<u>38,395</u>	<u>87,784</u>

**Note 18. Current liabilities - trade and other payables**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables and accruals	142,021	194,921
Amounts due to customers for contract work	19,755	132,229
	<u>161,776</u>	<u>327,150</u>

Refer to note 28 for further information on financial instruments.

**Note 19. Current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank loans	-	40,000
Lease liability	20,731	4,000
	<u>20,731</u>	<u>44,000</u>

Refer to note 22 for further information on assets pledged as security and financing arrangements.

Refer to note 28 for further information on financial instruments.

**Note 20. Current liabilities - employee benefits**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Employee benefits	11,750	14,654
	11,750	14,654

*Amounts not expected to be settled within the next 12 months*

The current provision for employee benefits includes all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount is presented as current, since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued long service leave or require payment within the next 12 months.

The following amounts reflect leave that is not expected to be taken within the next 12 months:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Employee benefits obligation expected to be settled after 12 months	3,733	5,581
	3,733	5,581

**Note 21. Current liabilities - provisions**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Warranties	21,480	1,922
Project Closure	6,137	7,128
	27,617	9,050

*Warranties*

Provision is made in respect of the Group's estimated liability on all products and services under warranty at reporting date. The provision is measured as the present value of future cash flows estimated to be required to settle warranty obligations. The future cash flows are estimated by reference to the Group's history of warranty claims.

*Movements in provisions*

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	<b>Warranties</b>	<b>Project Closure</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Consolidated - 2015</b>		
Carrying amount at the start of the year	1,922	7,128
Additional provisions recognised <sup>(i)</sup>	21,000	-
Amounts transferred from non-current	-	162
Amounts used	(1,442)	(1,153)
Carrying amount at the end of the year	21,480	6,137

<sup>(i)</sup> Provision for warranty claims represents the Group's potential obligation for rectification of any defects that occurs on the works performed within the stipulated defects liability period.

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**Note 22. Non-current liabilities - borrowings**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank loans	-	69,000
Lease liability	70,892	12,708
	<u>70,892</u>	<u>12,708</u>
	<u><u>70,892</u></u>	<u><u>81,708</u></u>

Refer to note 28 for further information on financial instruments.

*Total secured liabilities*

The total secured liabilities (current and non-current) are as follows:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank loans	-	109,000
Lease liability	91,623	16,708
	<u>91,623</u>	<u>16,708</u>
	<u><u>91,623</u></u>	<u><u>125,708</u></u>

*Assets pledged as security*

The bank overdraft and loans are secured by:

- (a) General Security Agreements over the whole of the assets and undertakings of Mineral Resources Ltd, Crushing Services International Pty Ltd, Process Minerals International Pty Ltd, Polaris Metals Pty Ltd, PIHA Pty Ltd, Auvex Resources Pty Ltd, Mineral Services Pty Ltd and Mineral Resources (Equipment) Pty Ltd;
- (b) Negative pledges with respect to financial covenants; and
- (c) Interlocking guarantees.

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

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**Note 22. Non-current liabilities - borrowings (continued)**

*Financing arrangements*

Unrestricted access was available at the reporting date to the following lines of credit:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Total facilities		
Bank overdraft	4,000	3,600
Bank loans	249,000	289,000
Bank guarantee	90,000	90,000
Lease liability	214,814	240,000
	<u>557,814</u>	<u>622,600</u>
Used at the reporting date		
Bank overdraft	-	-
Bank loans	-	109,000
Bank guarantee	60,695	82,336
Lease liability	89,419	15,730
	<u>150,114</u>	<u>207,066</u>
Unused at the reporting date		
Bank overdraft	4,000	3,600
Bank loans	249,000	180,000
Bank guarantee	29,305	7,664
Lease liability	125,395	224,270
	<u>407,700</u>	<u>415,534</u>

**Note 23. Non-current liabilities - deferred tax**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Deferred tax liability comprises temporary differences attributable to:</i>		
Amounts recognised in profit or loss:		
Trade and other receivables	5,418	3,997
Property, plant and equipment	57,640	50,173
Exploration and evaluation	119,748	114,115
	<u>182,806</u>	<u>168,285</u>
Deferred tax liability	<u>182,806</u>	<u>168,285</u>
<i>Movements:</i>		
Opening balance	168,285	179,338
Credited/(charged) to profit or loss (note 7)	16,312	(11,825)
Charged to equity (note 7)	(3,421)	(180)
Under-provision from prior year	1,630	952
	<u>182,806</u>	<u>168,285</u>
Closing balance	<u>182,806</u>	<u>168,285</u>

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**Note 24. Non-current liabilities - provisions**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Project closure	2,146	3,309
Site rehabilitation	31,705	7,314
	<u>33,851</u>	<u>10,623</u>

*Movements in provisions*

Movements in each class of provision during the current financial year are set out below:

<b>Consolidated - 2015</b>	<b>Project Closure</b>	<b>Site Rehabilitation</b>
	<b>\$'000</b>	<b>\$'000</b>
Carrying amount at the start of the year	3,309	7,314
Additional provisions recognised <sup>(i)</sup>	-	26,539
Amounts used	(1,000)	(2,149)
Transfer to current	(162)	-
	<u>2,147</u>	<u>31,704</u>

<sup>(i)</sup> The provision for site rehabilitation relates to estimated cost of work required to rehabilitate mine site to its original condition. The obligation is expected to materialise at the end of the mine life.

**Note 25. Equity - issued capital**

	<b>Consolidated</b>			
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>Shares</b>	<b>Shares</b>	<b>\$'000</b>	<b>\$'000</b>
Ordinary shares	<u>187,637,090</u>	<u>186,556,246</u>	<u>504,771</u>	<u>495,552</u>

*Movements in ordinary share capital*

<b>Details</b>	<b>Date</b>	<b>Shares</b>	<b>Issue price</b>	<b>\$'000</b>
Balance	1 July 2013	185,987,992		490,562
Employee share options exercised		200,000	\$4.11	822
Shares issued for dividend reinvestment		<u>368,254</u>	\$11.32	<u>4,168</u>
Balance	30 June 2014	186,556,246		495,552
Shares issued for dividend reinvestment		<u>1,080,844</u>	\$8.53	<u>9,219</u>
Balance	30 June 2015	<u>187,637,090</u>		<u>504,771</u>

*Ordinary shares*

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

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

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**Note 25. Equity - issued capital (continued)**

*Capital risk management*

The Group's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Company may look to raise capital when an opportunity to invest in a business or company is seen as value adding relative to the current Company's share price at the time of the investment. The Group is actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The Group is subject to certain financing arrangement covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on financing arrangement covenants during the financial year.

The capital risk management policy remains unchanged from the 2014 Financial Year.

The gearing ratio at the reporting date was as follows:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Current liabilities - borrowings (note 19)	20,731	44,000
Non-current liabilities - borrowings (note 22)	70,892	81,708
Total borrowings	<u>91,623</u>	<u>125,708</u>
Current assets - cash and cash equivalents (note 8)	(209,814)	(206,454)
Cash and cash equivalents, net of debt	<u>(118,191)</u>	<u>(80,746)</u>
Total equity	<u>1,082,153</u>	<u>1,139,309</u>
Total capital	<u><u>963,962</u></u>	<u><u>1,058,563</u></u>
Gearing ratio	(12%)	(8%)

**Note 26. Equity - retained profits**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Retained profits at the beginning of the financial year	616,860	501,183
Profit after income tax expense for the year	12,814	231,087
Dividends paid (note 27)	<u>(73,749)</u>	<u>(115,410)</u>
Retained profits at the end of the financial year	<u><u>555,925</u></u>	<u><u>616,860</u></u>

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**Note 27. Equity - dividends**

*Dividends*

Dividends paid during the financial year were as follows:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Final dividend for the year ended 30 June 2014 (2014: 30 June 2013) of 32.0 cents (2014: 32.0 cents) per ordinary share fully franked at a tax rate of 30% paid on 10 October 2014 (2014: 25 October 2013)	59,701	59,516
Interim dividend for the year ended 30 June 2015 (2014: 30 June 2014) of 7.5 cents (2014: 30.0 cents) per ordinary share fully franked at a tax rate of 30% paid on 23 April 2015 (2014: 10 April 2014)	14,048	55,894
	<u>73,749</u>	<u>115,410</u>

On 20 August 2015, the directors declared a final dividend for the year ended 30 June 2015 of 15.0 cents per ordinary shares to be paid on 8 October 2015, a total estimated distribution of \$28,145,000 based on the number of ordinary shares on issue as at 20 August 2015.

*Franking credits*

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>19,497</u>	<u>21,380</u>

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

**Note 28. Financial instruments**

***Financial risk management objectives***

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board. These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units. Finance reports to the Board on a monthly basis.

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**Note 28. Financial instruments (continued)**

**Market risk**

*Foreign currency risk*

The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the Group against unfavourable exchange rate movements for both the contracted and anticipated future sales undertaken in foreign currencies. As at 30 June 2015 and 30 June 2014, there were no open forward exchange contracts.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

<b>Consolidated</b>	<b>Assets</b>		<b>Liabilities</b>	
	<b>2015</b> <b>\$'000</b>	<b>2014</b> <b>\$'000</b>	<b>2015</b> <b>\$'000</b>	<b>2014</b> <b>\$'000</b>
US dollars	217,282	117,884	778	2,928

The Group had net assets denominated in foreign currencies of \$216,504,000 (assets \$217,282,000 less liabilities \$778,000) as at 30 June 2015. (2014: \$114,956,000 (assets \$117,884,000 less liabilities \$2,928,000)). Based on this exposure, had the Australian dollar weakened by 5%/strengthened by 5% (2014: weakened by 5%/strengthened by 5%) against these foreign currencies with all other variables held constant, the Group's profit before tax for the year would have been \$10,902,000 higher/\$10,902,000 lower (2014: \$5,747,000 higher/\$5,747,000 lower).

*Price risk*

The Group is exposed to commodity price risk which arises from iron ore held as inventory.

The Group policy is to sell iron ore at contracted and/or spot prices. The Group has not entered into any hedging contracts. The Group's revenues are exposed to fluctuation in the price of iron ore. If the average selling price of iron ore of \$73.50 (2014: \$110.70) for the financial year had increased/decreased by 10% (2014: weakened by 10%/strengthened by 10%) the change in the profit before income tax for the Mining Segment would have been an increase/decrease of \$80,000 (2014: profit before income tax: \$10,435,000). As at 30 June 2014, there was no exposure to the fluctuation in the price of manganese ore.

*Interest rate risk*

The Group's main interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to interest rate risk.

As at the reporting date, the Group is exposed to interest rate risk as follows:

<b>Consolidated</b>	<b>2015</b>		<b>2014</b>	
	<b>Weighted average interest rate %</b>	<b>Balance \$'000</b>	<b>Weighted average interest rate %</b>	<b>Balance \$'000</b>
Bank loans	-%	-	5.98%	109,000
Cash and cash equivalents	2.15%	209,814	2.82%	206,454
Interest bearing liabilities - variable	4.80%	91,623	-%	-
Net exposure to cash flow interest rate risk		<u>301,437</u>		<u>315,454</u>

**Note 28. Financial instruments (continued)**

An analysis by remaining contractual maturities is shown in 'liquidity and interest rate risk management' below.

The Group has considered sensitivity relating to exposure to interest rate risk at reporting date. An official increase/decrease in interest rate of 100 (2014:100) basis points would have an adverse/favourable effect on the profit before tax of \$766,000 (2014: \$1,130,000) per annum.

***Credit risk***

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group's exposures to financial position credit risk are as indicated by the carrying amounts of its financial assets. The Group does not have a significant exposure to any individual counterparty.

***Liquidity risk***

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

***Financing arrangements***

Unused borrowing facilities at the reporting date:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank overdraft	4,000	3,600
Bank loans	249,000	180,000
Bank guarantee	29,305	7,664
Lease liability	125,395	224,270
	<b>407,700</b>	<b>415,534</b>

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice. Subject to the continuance of satisfactory credit ratings, the bank loan facilities may be drawn at any time and have an average maturity of 2 years. (2014: 3 years).

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**Note 28. Financial instruments (continued)**

*Remaining contractual maturities*

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

<b>Consolidated - 2015</b>	<b>Weighted average interest rate %</b>	<b>1 year or less \$'000</b>	<b>Between 1 and 2 years \$'000</b>	<b>Between 2 and 5 years \$'000</b>	<b>Over 5 years \$'000</b>	<b>Remaining contractual maturities \$'000</b>
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-%	161,776	-	-	-	161,776
<i>Interest-bearing - variable</i>						
Lease liability	4.80%	20,731	20,518	50,374	-	91,623
Total non-derivatives		<u>182,507</u>	<u>20,518</u>	<u>50,374</u>	<u>-</u>	<u>253,399</u>

<b>Consolidated - 2014</b>	<b>Weighted average interest rate %</b>	<b>1 year or less \$'000</b>	<b>Between 1 and 2 years \$'000</b>	<b>Between 2 and 5 years \$'000</b>	<b>Over 5 years \$'000</b>	<b>Remaining contractual maturities \$'000</b>
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-%	327,150	-	-	-	327,150
<i>Interest-bearing - variable</i>						
Bank loans	5.98%	40,000	69,000	-	-	109,000
Lease liability	6.37%	4,000	12,708	-	-	16,708
Total non-derivatives		<u>371,150</u>	<u>81,708</u>	<u>-</u>	<u>-</u>	<u>452,858</u>

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

***Fair value of financial instruments***

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

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**Note 29. Fair value measurement**

*Fair value hierarchy*

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: Unobservable inputs for the asset or liability

<b>Consolidated - 2015</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<i>Assets</i>				
Available-for-sale financial assets	376	-	7,041	7,417
Total assets	376	-	7,041	7,417

**Consolidated - 2014**

<i>Assets</i>				
Available-for-sale financial assets	179,320	-	3,210	182,530
Total assets	179,320	-	3,210	182,530

*Classification of financial assets at fair value through profit or loss*

The Group classifies financial assets at fair value through profit or loss if they are acquired principally for the purpose of selling in the short term. They are presented as current assets if they are expected to be sold within 12 months after the end of the reporting period; otherwise they are presented as non-current assets.

The Group has designated its investment in Aquila Resources Limited (ASX:AQA) as a financial asset at fair value through profit or loss following its termination of bid discussions with AQA as announced on 18 June 2014. At initial recognition the investment was classified as available for sale. The Group disposed of its shares in Aquila Resources Limited on 3 July 2014.

Unless otherwise stated the carrying amount of financial instruments reflect their fair value.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

**Note 30. Key management personnel disclosures**

*Compensation*

The aggregate compensation made to Directors and other members of Key Management Personnel of the Group is set out below:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	5,779,226	8,586,470
Post-employment benefits	162,828	207,637
Other statutory benefits	-	94,966
Share-based payments	-	1,074,025
	<u>5,942,054</u>	<u>9,963,098</u>

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**Note 31. Remuneration of auditors**

During the financial year the following fees were paid or payable for services provided by RSM Bird Cameron Partners, the auditor of the Company:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - RSM Bird Cameron Partners</i>		
Audit or review of the financial statements	368,500	410,000
<i>Other services - RSM Bird Cameron Partners</i>		
Taxation services	214,980	324,685
Corporate finance	12,800	-
	<u>596,280</u>	<u>734,685</u>

**Note 32. Contingent liabilities**

The Group has provided guarantees to third parties in relation to performance of contracts and against warranty obligations for a defects liability period after completion of the work. Defects liability periods are usually of 12 to 18 months duration. Bank guarantees are issued as security for these obligations.

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank guarantee facility	90,000	90,000
Amount utilised	<u>(60,695)</u>	<u>(82,336)</u>
Unused facility	<u>29,305</u>	<u>7,664</u>

**Note 33. Commitments**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable for:		
Property, plant and equipment	158,389	162,893
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	4,383	5,262
One to five years	14,916	4,191
	<u>19,299</u>	<u>9,453</u>
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	24,463	4,555
One to five years	77,048	14,152
Total commitment	101,511	18,707
Less: Future finance charges	(9,888)	(1,999)
Net commitment recognised as liabilities	<u>91,623</u>	<u>16,708</u>
Representing:		
Lease liability - current (note 19)	20,731	4,000
Lease liability - non-current (note 22)	70,892	12,708
	<u>91,623</u>	<u>16,708</u>
<i>Exploration expenditure commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	7,776	6,752
One to five years	10,008	29,624
	<u>17,784</u>	<u>36,376</u>

Operating lease commitments includes contracted amounts for various warehouses, offices and plant and equipment under non-cancellable operating leases expiring within one to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

**Note 34. Related party transactions**

*Parent entity*

Mineral Resources Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 36.

*Key management personnel*

Disclosures relating to key management personnel are set out in note 30 and the Remuneration Report in the Directors' Report.

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**Note 34. Related party transactions (continued)**

*Transactions with related parties*

The following transactions occurred with related parties:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Other transactions:		
Certain engineering services were provided by GR Engineering Services Limited, a company related to Joe Ricciardo	(199,948)	(229,940)
Certain engineering services were provided to GR Engineering Services Limited, a company related to Joe Ricciardo	218,786	-
Certain crushing and engineering services were provided by Global Advanced Metals Pty Ltd, a company related to Kelvin Flynn and James McClements	(18,938)	(3,996)
Certain crushing and engineering services were provided to Global Advanced Metals Pty Ltd, a company related to Kelvin Flynn and James McClements	-	5,413,787
Properties from which the Group's operations are performed are rented from parties related to Chris Ellison and Peter Wade	(1,784,914)	(1,770,830)
Services provided by Reed Industrial Minerals Pty Ltd, a director related entity of Chris Ellison	(718,678)	(767,167)
Services provided by Sirona Capital Pty Ltd, a company related to Kelvin Flynn	(3,145)	(76,865)

*Receivable from and payable to related parties*

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$</b>	<b>\$</b>
Current receivables:		
Trade receivables from Global Advanced Metals Pty Ltd, a company related to Kelvin Flynn and James McClements	-	10,305
Trade receivables from GR Engineering Services Limited, a company associated with Joe Ricciardo	237,936	-
Current payables:		
Trade payables to Global Advanced Metals Pty Ltd, a company related to Kelvin Flynn and James McClements	4,274	4,396

*Loans to/from related parties*

There were no loans to or from related parties at the current and previous reporting date.

*Terms and conditions*

All transactions were made on normal commercial terms and conditions and at market rates.

**Note 35. Parent entity information**

Set out below is the supplementary information about the parent entity.

*Statement of profit or loss and other comprehensive income*

	<b>Parent</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit/(loss) after income tax	271,734	(16,836)
Total comprehensive income	271,734	(16,836)

*Statement of financial position*

	<b>Parent</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Total current assets	172,841	365,710
Total assets	502,503	857,668
Total current liabilities	20,402	542,936
Total liabilities	92,029	654,483
Net assets	<u>410,474</u>	<u>203,185</u>
Equity		
Issued capital	504,853	495,552
Accumulated losses	(94,379)	(292,367)
Total equity	<u>410,474</u>	<u>203,185</u>

*Guarantees entered into by the parent entity in relation to the debts of its subsidiaries*

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2015 and 30 June 2014 other than as an obligor under its syndicated financing facilities.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2015 and 30 June 2014.

*Capital commitments - Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2015 and 30 June 2014.

*Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity.

**Mineral Resources Limited**  
**Notes to the financial statements**  
**30 June 2015**

**Note 36. Interests in subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2015 %	2014 %
Crushing Services International Pty Ltd	Australia	100.00%	100.00%
Eclipse Minerals Pty Ltd	Australia	100.00%	100.00%
HiTec Energy Pty Ltd	Australia	59.40%	56.44%
Mesa Minerals Limited	Australia	59.40%	56.44%
PIHA Pty Ltd	Australia	100.00%	100.00%
Polaris Metals Pty Ltd	Australia	100.00%	100.00%
Process Minerals International Pty Ltd	Australia	100.00%	100.00%
Auvex Resources Pty Ltd	Australia	100.00%	100.00%
Mineral Resources (Equipment) Pty Ltd	Australia	100.00%	100.00%
PIHA (Water) Pty Ltd	Australia	100.00%	100.00%
Mineral Services Pty Ltd	Australia	100.00%	100.00%
Mineral Construction Pty Ltd	Australia	100.00%	100.00%
Steelpile Pty Ltd	Australia	100.00%	100.00%
MIS Carbonart Pty Ltd	Australia	50.00%	-

**Note 37. Events after the reporting period**

Apart from the dividend declared as disclosed in note 27, no other matter or circumstance has arisen since 30 June 2015 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.

**Note 38. Reconciliation of profit after income tax to net cash from operating activities**

	Consolidated	
	2015 \$'000	2014 \$'000
Profit after income tax expense for the year	12,544	230,536
Adjustments for:		
Depreciation and amortisation	126,904	196,684
Impairment loss	44,544	18,193
Net gain on disposal of property, plant and equipment	(337)	(61,852)
Non cash gain on legal settlement	-	(2,437)
Exploration expenditure written off	1,221	3,833
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(21,240)	54,804
Decrease/(increase) in inventories	22,744	(35,350)
Decrease/(increase) in deferred tax assets	49,390	(4,454)
Decrease/(increase) in other operating assets	11,120	(9,117)
Increase/(decrease) in trade and other payables	(154,158)	125,148
Decrease in derivative liabilities	-	(387)
Increase/(decrease) in provision for income tax	(56,971)	56,642
Increase/(decrease) in deferred tax liabilities	14,521	(11,053)
Increase in other provisions	2,068	5,366
Net cash from operating activities	<u>52,350</u>	<u>566,556</u>

**Mineral Resources Limited**  
**Notes to the financial statements**  
**30 June 2015**

**Note 39. Earnings per share**

	<b>Consolidated</b>	
	<b>2015</b>	<b>2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit after income tax	12,544	230,536
Non-controlling interest	270	551
	<u>12,814</u>	<u>231,087</u>
Profit after income tax attributable to the owners of Mineral Resources Limited	<u>12,814</u>	<u>231,087</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>187,139,075</u>	<u>186,210,291</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>187,139,075</u>	<u>186,210,291</u>
	<b>Cents</b>	<b>Cents</b>
Basic and diluted profit per share after tax before impairment and MRRT (cents per share) <sup>(i)</sup>	58.19	136.64
Basic and diluted profit per share (cents per share)	6.85	124.10

<sup>i</sup> Profit after tax, before impairment charges and reversal of MRRT is \$108,887,000 (2014: \$243,271,000)

**Mineral Resources Limited**  
**Directors' declaration**  
**30 June 2015**

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial 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.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



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Chris Ellison  
Managing Director

20 August 2015  
Perth

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

**Report on the Financial Report**

We have audited the accompanying financial report of Mineral Resources Limited, which comprises the statement of financial position as at 30 June 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

*Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Independence*

In conducting our audit, 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 report.

### *Opinion*

In our opinion:

- (a) the financial report of Mineral Resources Limited is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

### **Report on the Remuneration Report**

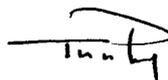
We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2015. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Opinion*

In our opinion, the Remuneration Report of Mineral Resources Limited for the year ended 30 June 2015 complies with section 300A of the *Corporations Act 2001*.

*RSM Bird Cameron Partners*

RSM BIRD CAMERON PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 20 August 2015