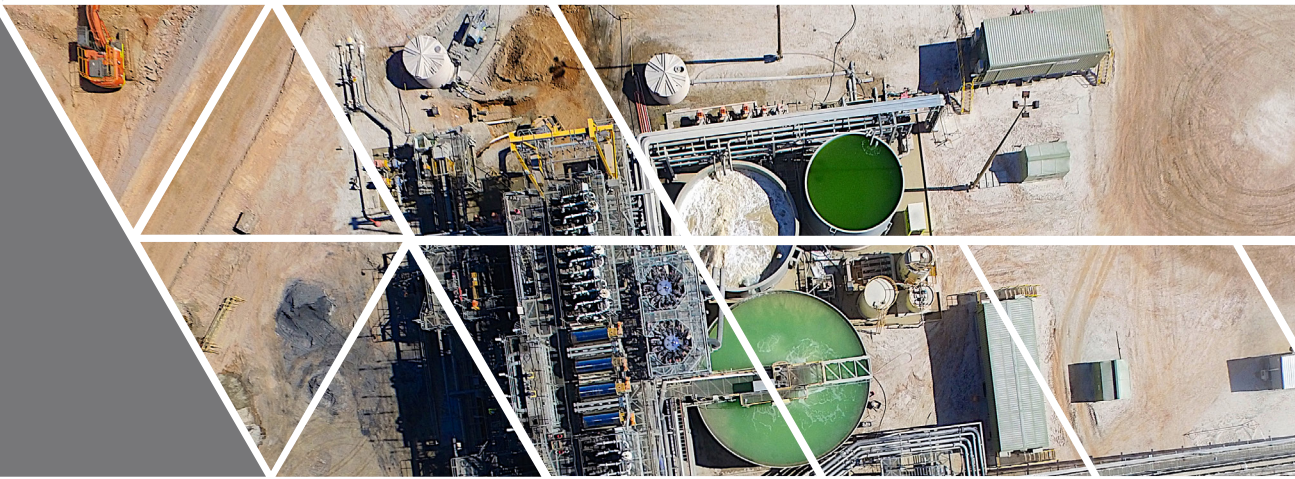




# ANNUAL FINANCIAL REPORT

**30 JUNE 2018**



MINERAL RESOURCES LIMITED  
ABN 33 118 549 910

[www.mineralresources.com.au](http://www.mineralresources.com.au)



**Mineral Resources Limited**  
**Appendix 4E**  
**Preliminary final report**

**1. Company details**

Name of entity:	Mineral Resources Limited
ABN:	33 118 549 910
Reporting period:	For the year ended 30 June 2018
Previous period:	For the year ended 30 June 2017

**2. Results for announcement to the market**

			<b>\$'000</b>
Revenues from ordinary activities	up	11.4% to	1,624,431
Profit from ordinary activities after tax attributable to the owners of Mineral Resources Limited	up	35.3% to	272,498
Profit for the year attributable to the owners of Mineral Resources Limited	up	35.3% to	272,498

*Comments*

The profit for the Group after providing for income tax and non-controlling interest amounted to \$272,498,000 (30 June 2017: \$201,408,000).

**3. Net tangible assets**

	<b>Reporting period Cents</b>	<b>Previous period Cents</b>
Net tangible assets per ordinary security	<u>658.10</u>	<u>563.95</u>

**4. Control gained over entities**

Name of entities (or group of entities)	Empire Oil Company (WA) Limited Cattamarra Farms Pty Ltd
Date control gained	8 November 2017

**5. Dividends**

	<b>Cents</b>	<b>Franked %</b>	<b>\$'000</b>
2018 final dividend – declared 15 August 2018	40.00	100%	74,959
2018 interim dividend – paid 8 March 2018	25.00	100%	46,796
2017 final dividend – paid 20 September 2017	33.00	100%	61,706
2017 interim dividend – paid 14 March 2017	21.00	100%	39,278

Record date for determining entitlements to the 2018 final dividend	3 September 2018
Payment date for the 2018 final dividend	27 September 2018

## **6. Dividend reinvestment plans**

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

Date of final dividend declaration	15 August 2018
Record date for determining entitlements to the final dividend	3 September 2018
Closing date for election to participate in the DRP	4 September 2018
Closing date for calculation of DRP share issue price, based on the Volume Weighted Average Price (VWAP) for Mineral Resources Limited shares sold on the ASX in the five business days following record date (rounded to the nearest whole cent)	11 September 2018
DRP discount to be applied	None
DRP to be underwritten	No
Payment date for final dividend/issue of shares under the DRP	27 September 2018
DRP share ranking with existing Mineral Resources Limited shares	Equally in all respects
Date by which DRP participant's holdings will be updated with additional shares issued under the DRP	1 October 2018

Details of the DRP are available on the Group's website [www.mineralresources.com.au](http://www.mineralresources.com.au)

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## **7. Audit qualification or review**

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

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**Mineral Resources Limited**  
**Corporate directory**  
**30 June 2018**

Directors	Peter Wade (Chairman) Chris Ellison (Managing Director) Kelvin Flynn James McClements (Lead Independent Non-Executive Director) Tim Roberts Xi Xi (appointed 11 September 2017)
Company secretaries	Bruce Goulds Simon Rushton
Registered office	1 Sleat Road Applecross WA 6153 P: + 61 8 9329 3600 F: + 61 8 9329 3601 Postal address: Locked Bag 3, Canning Bridge, Applecross WA 6153
Principal place of business	1 Sleat Road Applecross WA 6153
Share register	Computershare Investor Services Pty Limited Level 2, Reserve Bank Building 45 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 Australia Partners Level 32 Exchange Tower 2 The Esplanade Perth WA 6000 P: + 61 8 9261 9100 F: + 61 8 9261 9111 <a href="http://www.rsm.com.au">www.rsm.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: MIN)
Website	<a href="http://www.mineralresources.com.au">www.mineralresources.com.au</a>

## **Mineral Resources Limited**

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### **General information**

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

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

1 Sleat Road  
Applecross WA 6153

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 15 August 2018.

**Mineral Resources Limited**  
**Directors' report**  
**30 June 2018**

The directors present their report, together with the financial statements, for the Group for the year ended 30 June 2018.

**Directors**

The following persons were directors of Mineral Resources Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Peter Wade  
Chris Ellison  
Kelvin Flynn  
James McClements  
Tim Roberts  
Xi Xi (appointed 11 September 2017)

**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:

	Cents	Franked %	\$'000
2018 final dividend – declared 15 August 2018	40.00	100%	74,959
2018 interim dividend – paid 8 March 2018	25.00	100%	46,796
2017 final dividend – paid 20 September 2017	33.00	100%	61,706
2017 interim dividend – paid 14 March 2017	21.00	100%	39,278

**Review of operations**

**Financial performance**

The Group achieved revenues from ordinary activities of \$1,624 million for the financial year ended 30 June 2018 (FY18), which was up 11% on the prior corresponding period (pcp) reflecting:

- Sale of 3.5 million tonnes of lithium direct ship ore (DSO) from Wodgina (up 2.8 million tonnes on pcp);
- Sale of 382,000 tonnes of lithium spodumene from Mount Marion (up 266,000 tonnes on pcp);
- Mining Services & Processing continues to perform strongly with year on year crushing and processing revenue growth.

Early adoption of AASB9 enabled the Group to book an unrealised gain on the fair value of its listed investments of \$60 million to profit (before tax). This unrealised gain is excluded from the calculation of normalised earnings for the Group.

The Group produced normalised earnings before interest, tax, depreciation and amortisation (EBITDA) of \$507 million<sup>1</sup> for FY18 which was up \$43 million (9%) on normalised pcp and above guidance of \$500m. This led to reported net profit after tax (NPAT) of \$272 million which was up \$71 million on pcp.

The Group's EBITDA and NPAT result was underpinned by increased contribution from the lithium projects reflecting a full year of production from the Mount Marion spodumene operation and Wodgina lithium DSO operation as well as increased crushing, processing and mining services.

Depreciation and amortisation of \$113 million in FY18 was \$47 million (30%) lower on pcp reflecting the impact of reduced operations in the Yilgarn region during the period.

Included in NPAT were one-off items of \$6 million resulting from the gain on the acquisition of Empire Oil Company (WA) Limited's assets, offset by impairment charges of \$33 million in relation to the Yilgarn assets, \$6 million for goodwill in Mineral Resources Transport, \$9 million for goodwill in PIHA and \$3 million for MRL's investment in Empire Oil and Gas NL.

The effective tax rate during the period was 30%.

<sup>1</sup> Reported EBITDA of \$575 million less \$59 million related to fair value gain on the Group's investments in Pilbara Minerals Limited (ASX: PLS) and Hazer Group Limited (ASX: HZR) on early adoption of AASB 9 and \$9 million related to the gain on bargain purchase recognized on business combination of Empire Oil Company (WA) Limited.

## Operational performance

### *Mining Services & Processing*

Total Mining Services & Processing revenue of \$1,065 million was 58% above pcip. Increased external crushing, processing and mining services was offset by lower EPC construction revenues, as final revenues resulting from the construction and commissioning of the Nammuldi Below Water Table Extension EPC contract were recognised in FY17.

Mining Services & Processing EBITDA of \$260 million was 32% above pcip from increased crushing, processing and mining services during the FY18 period.

Highlights in the period included:

- Construction activities for the second stage of the Mount Marion Build-Own-Operate (BOO) life-of-mine mining services agreement commenced while mining and processing operations continued uninterrupted
- Construction activities for the Wodgina lithium spodumene BOO life-of-mine mining services agreement commenced while the Wodgina lithium DSO mining and crushing operations continued throughout FY18
- The Group increased crushing and processing production in FY18 when compared against pcip. The growth resulted from the impact of full year production from new crushing contracts established in FY17, along with the full year impact of steady state operations at Wodgina and Mt Marion.

### *Mining*

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

Commodity exports ( <sup>'000</sup> wet tonne)	1H FY17	2H FY17	Total FY17	1H FY18	2H FY18	Total FY18
<b>Utah Point</b>						
Iron Valley	4,209	3,760	7,969	3,058	3,136	6,194
Wodgina	-	720	720	1,772	1,710	3,481
Manganese	146	-	146	-	-	-
<b>Total Utah Point</b>	<b>4,355</b>	<b>4,480</b>	<b>8,835</b>	<b>4,830</b>	<b>4,845</b>	<b>9,675</b>
<b>KBT2</b>						
Yilgarn	2,506	1,796	4,302	1,777	1,378	3,155
Mount Marion	-	116	116	202	181	382
<b>Total KBT2</b>	<b>2,506</b>	<b>1,912</b>	<b>4,418</b>	<b>1,978</b>	<b>1,559</b>	<b>3,537</b>
Total Iron Ore	6,715	5,556	12,271	4,835	4,514	9,348
Total Lithium DSO	-	720	720	1,772	1,710	3,481
Total Spodumene	-	116	116	202	181	382
Total Manganese	146	-	146	-	-	-
<b>Total Commodity Exports</b>	<b>6,861</b>	<b>6,392</b>	<b>13,253</b>	<b>6,808</b>	<b>6,404</b>	<b>13,212</b>

Note: volume shown for Mt Marion is 100%. MRL's ownership interest in this project is 43.1%

### Iron Ore

Iron ore exports in FY18 were lower on pcip at 9.3 million wet tonnes as a result of Yilgarn operations ceasing in the final quarter, in addition to fines products held in stockpile to preserve the value of the resource from prevailing high discounts. Iron ore revenues of \$624 million were down \$297 million (32%) on pcip.

The Platts 62% Fines Index averaged \$84.7 per wet tonne for FY18, a decrease of 3% on pcip, reflecting challenging market conditions. The Platts 62% Fines Index (adjusted for moisture) averaged A\$84.2 per wet tonne in the first half and A\$85.1 per wet tonne in the second half, however further discounting impacted profit.



**Mineral Resources Limited**  
**Directors' report**  
**30 June 2018**

The Group's average iron ore price achieved for FY18 was \$66.8 per wet tonne reflecting a net 21.1% discount to Platts, an increase of 5.9% in the pcg. The Group experienced a material widening of discounts in the second half of the year from 12.4% in the first half to more than double at 27.5% in the second. Throughout the year, the sales and marketing team have continued to look for innovative solutions to offset the discounts.

Iron ore mining EBITDA of \$27 million was \$194 million lower than pcg, reflecting the challenging market conditions resulting in heavily discounted prices to our iron ore fines products.

Mount Marion Lithium Project

The Mount Marion Project is operated by the Group under a life-of-mine Mining Services contract and is a joint project between the Group (43.1%), Neometals Limited (13.8%) and one of the world's largest lithium producers, Ganfeng Lithium Co. Ltd. (43.1%).

Development of the new mining areas C01 and N06 commenced with record total movement achieved. Beneficiation plant throughput and production have improved consistently throughout the year resulting in 382,000 wet tonnes of 6% and 4% spodumene exported in FY18.

The upgrade of the beneficiation plant and processing improvements to facilitate the production of all high grade (6%) spodumene is on track for completion in quarter two of FY19 with the plant being ramped up to 100% high grade production shortly after. Construction of the accommodation village expansion, bulk explosives facility and dry tailings load out facility were completed in the second half of FY18.

The achieved price for 6% and 4% spodumene products averaged A\$879 per wet tonne for all tonnes exported.

Pricing is linked to international lithium carbonate and hydroxide prices rather than bilateral spodumene market prices. The 6% spodumene price for quarter four of FY18 was agreed at US\$961 per dry tonne CFR China (US\$929 per wet tonne).

CFR cash costs for FY18 averaged A\$576 per wet tonne exported.

Wodgina Lithium Project

The Wodgina Project is 100% owned and operated by the Group. Operations are managed under a life-of-mine Mining Services contract.

The project delivered an annualised production rate of over 4 million wet tonnes and exported 3.5 million wet tonnes of DSO product. Total material movement mining rates exceeded 4.1 million wet tonnes per annum on an annualised basis in the final quarter of FY18.

Construction of the 833,000 dry tonne per annum three stage spodumene processing plant, along with the associated crushing and non-process infrastructure upgrades, commenced in quarter two of FY18 and continues as planned. The first stage of the 278,000 module will begin commissioning in quarter two of FY19 followed by stages 2 and 3 in quarter three and quarter four of FY19 respectively.

In May 2018, the Group updated its mineral resource estimate resulting in increases to Indicated and Inferred Mineral Resources now totalling 234 million tonnes at 1.21% Li<sub>2</sub>O using a cut-off grade of 0.5% Li<sub>2</sub>O (see ASX announcement dated 1 May 2018).

**Cash and working capital**

At 30 June 2018, the Group held cash and cash equivalents of \$240 million, down from \$378 million at 30 June 2017 reflecting the capital expenditure and working capital of the Mount Marion Upgrade and the initial stage of the Wodgina Spodumene Development.

Net cash from operating activities before interest and tax of \$539 million in FY18 was up \$157 million on pcg, reflecting earnings growth together with improved working capital management.



**Mineral Resources Limited**  
**Directors' report**  
**30 June 2018**

Net cash used in investing activities in FY18 was \$333 million, up \$93 million from \$240 million in pcp. Investments during the year included:

- capital expenditure on the Mount Marion All-in 6% Upgrade Project including expansion of the flotation circuit, process water upgrades and upgrades to non-process infrastructure;
- commencement of construction on the Wodgina lithium spodumene plant along with the associated crushing and non-process infrastructure upgrades;
- development costs and stripping activity at the Wodgina mine;
- infrastructure to support LNG power generation at the Group's mine sites; and
- innovation costs, including progressing the development and testing of Carbonart's carbon fibre trays.

In addition to its 30 June 2018 cash holdings of \$240 million, the Group has access to substantial undrawn debt facilities to support business development activities.

**Capital management**

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

A fully franked final dividend of 40.0 cents per ordinary share has been declared for shareholders as at 15 August 2018 to be paid on 27 September 2018. Inclusive of the fully franked interim dividend of 25.0 cents per ordinary share paid in March 2018, total dividends declared in FY18 of 65.00 cents per ordinary share were 20% above pcp.

**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**

The following significant events have arisen since the end of the financial year.

*Dividend*

On 15 August 2018, the directors declared a final fully franked dividend for the year ended 30 June 2018 of 40.0 cents per share to be paid on 27 September 2018, a total estimated distribution of \$74,959,000 based on the number of ordinary shares on issue as at 15 August 2018.

*A\$450 million Term Bridge Loan Facility*

The Group has arranged a A\$450 million Term Bridge Loan Facility (TBLF) extension to its existing A\$290 million Syndicated Financing Loan Facility (SFLF). The TBLF, available from 7 August 2018, will provide bridging finance to facilitate the availability of funds for the construction of the Wodgina lithium spodumene plant. The TBLF has a termination date of 31 December 2019 and can be repaid partially, or in full, prior to that date. The TBLF facility has a margin of 2.18%, and the margin on any drawn portion of the SFLF increases to 2.18% for the duration that the TBLF is outstanding.

*Koolyanobbing*

On 13 June 2018 the Group announced that it had entered into a definitive agreement with Cleveland-Cliffs Inc. to acquire the assets that were used by its wholly owned subsidiary, Cliffs Asia Pacific Iron Ore Pty Ltd, to run its Koolyanobbing iron ore operation in the Yilgarn region of Western Australia. The Group is finalising negotiations and, at this stage, anticipates completion of the acquisition of the Koolyanobbing assets and commencement of production and export to occur in quarter one of FY19 with the MRL rail fleet allowing between 6 to 6.25 million tonnes to be hauled each year.

*Marillana*

On 27 July 2018, the Group announced that it had entered into a Farm-in and Joint Venture Agreement (FJVA) with Brockman Mining Limited (Brockman) that grants the Group the right to farm-in and earn a 50% interest in the Marillana iron ore project in the Pilbara. Part of the conditions precedent to the FJVA include the execution of a loan agreement in respect of an A\$10 million loan that the Group will make to Brockman with such loan being repayable by Brockman as a priority from proceeds it receives from the sale of its share of Marillana iron ore.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect, the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**Mineral Resources Limited**  
**Directors' report**  
**30 June 2018**

**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 likely 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**

<b>Name:</b>	<b>Peter Wade</b>
<b>Title:</b>	Non-Executive Chairman
<b>Appointment:</b>	27 February 2006
<b>Qualifications:</b>	BE (Hons), LGE
<b>Experience and expertise:</b>	Peter has over 45 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.
<b>Other current directorships:</b>	Non-Executive Chairman of Global Construction Services Ltd
<b>Former directorships (last 3 years):</b>	None
<b>Special responsibilities:</b>	Chairman of Board of Directors
<b>Interests in shares:</b>	328,656
<b>Interests in options:</b>	None

<b>Name:</b>	<b>Chris Ellison</b>
<b>Title:</b>	Managing Director
<b>Appointment:</b>	27 February 2006
<b>Experience and expertise:</b>	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.
<b>Other current directorships:</b>	Director of Mesa Minerals Limited
<b>Former directorships (last 3 years):</b>	None
<b>Special responsibilities:</b>	Managing Director
<b>Interests in shares:</b>	21,265,668
<b>Interests in options:</b>	None

**Mineral Resources Limited**  
**Directors' report**  
**30 June 2018**

<b>Name:</b>	<b>Kelvin Flynn</b>
<b>Title:</b>	Independent Non-Executive Director
<b>Appointment:</b>	22 March 2010
<b>Qualifications:</b>	B Com, CA
<b>Experience and expertise:</b>	Mr Flynn is a qualified Chartered Accountant with over 27 years' experience in investment banking and corporate advisory roles including private equity and special situations investments in the mining and resources sector. He has held various leadership positions in Australia and Asia, having previously held the position of Executive Director/Vice President with Goldman Sachs and Managing Director of Alvarez & Marsal in Asia. He has worked in complex financial workouts, turnaround advisory and interim management. He is the Managing Director of the specialist alternative funds manager Harvis, which focuses on investments in the real estate and real assets sectors. Mr Flynn is currently a Director of privately held Global Advanced Metals Pty Ltd and a Non-Executive Director of Silver Lake Resources Ltd. Mr Flynn was also a Non-Executive Director of Mutiny Gold Ltd from 31 March 2014 to 31 January 2015 until its successful merger with Doray Minerals Ltd.
<b>Other current directorships:</b>	Silver Lake Resources Limited (ASX: SLR)
<b>Former directorships (last 3 years):</b>	Mutiny Gold Limited
<b>Special responsibilities:</b>	Chair of Audit Committee and Member of Remuneration Committee
<b>Interests in shares:</b>	6,997
<b>Interests in options:</b>	None
<b>Name:</b>	<b>James McClements</b>
<b>Title:</b>	Lead Independent Non-Executive Director
<b>Appointment:</b>	29 May 2015
<b>Qualifications:</b>	B Econ (Hons)
<b>Experience and expertise:</b>	James has 30 years' 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 during that time. James is currently the Managing Partner of Resource Capital Funds (RCF) and has extensive Board experience having served as a Director of 12 RCF portfolio companies.
<b>Other current directorships:</b>	None
<b>Former directorships (last 3 years):</b>	None
<b>Special responsibilities:</b>	Member of Audit Committee and Nomination Committee and Chair of Remuneration Committee
<b>Interests in shares:</b>	6,997
<b>Interests in options:</b>	None

**Mineral Resources Limited**  
**Directors' report**  
**30 June 2018**

Name:	<b>Tim Roberts</b>
Title:	Independent Non-Executive Director
Appointment:	17 November 2016
Experience and expertise:	Tim played a key role in the transformation of Multiplex, one of the nation's largest privately owned companies established by John Roberts in 1962, from a construction contractor into a broadly based property group with operations spanning property development and investment, facilities management, and property funds management. He was also an executive director of Multiplex Group from 2003 until 2007, when the Roberts family sold its remaining interests in Multiplex to Brookfield Asset Management Inc. Since 2007, Tim founded his family office that has significant and diverse, both domestically and internationally, with interests in private and listed equities, hedge funds, infrastructure, property, aviation and fishing & aquaculture. Tim is a board member of Crown Resorts Pty Ltd, the owner of Crown Casino and hotels in Western Australia; Patron of the Perth Symphony Orchestra; a member of the Board of Trustees of the Telethon Institute; and Patron of the North Cottesloe Surf Lifesaving Club.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of Audit Committee, Remuneration Committee and Nominations Committee
Interests in shares:	6,997
Interests in options:	None

Name:	<b>Xi Xi</b>
Title:	Independent Non-Executive Director
Appointment:	11 September 2017
Experience and expertise:	Xi Xi has extensive experience in the global natural resources sector having served as a director of Sailing Capital, a US\$2 billion private equity fund founded by the Shanghai International Group in 2012. She has worked with numerous Chinese state owned and privately owned enterprises, advising on international acquisitions and investments overseas. Xi Xi has previously served as an analyst and portfolio manager for the Tigris Financial Group in New York, focused in the oil and gas and mining sector. Xi Xi currently serves as a non-executive director of Zeta Resources, a closed-end investment company with a broad portfolio of oil and gas, as well as mining assets. Xi Xi has an MA in International Relations (China Studies & International Finance) from Johns Hopkins University, and holds a double BS in Chemical Engineering & Petroleum Refining, as well as Economics, from the Colorado School of Mines.
Other current directorships:	None
Former directorships (last 3 years):	Galaxy Resources Limited
Special responsibilities:	Member of Nominations Committee
Interests in shares:	5,617
Interests in options:	None

'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 (in the 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.

**Mineral Resources Limited**  
**Directors' report**  
**30 June 2018**

**Company secretaries**

**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 Mineral 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.

**Simon Rushton** (LLB, BCom) has over 15 years' senior legal and executive management experience. Simon graduated with a combined law and commerce degree in 2001 and was admitted to legal practice in Western Australia in 2002. Simon commenced his professional career in private practice and gained extensive corporate and commercial experience across a range of Western Australian Supreme Court and Federal Court matters. Simon joined Mineral Resources Limited in 2007 as General Manager Commercial. Simon was appointed joint company secretary on 26 May 2017.

**Meetings of directors**

The number of meetings of the Company's Board of Directors (the Board) and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	<b>Full Board</b>		<b>Audit Committee</b>		<b>Remuneration Committee</b>		<b>Nomination Committee</b>	
	<b>Attended</b>	<b>Held</b>	<b>Attended</b>	<b>Held</b>	<b>Attended</b>	<b>Held</b>	<b>Attended</b>	<b>Held</b>
Peter Wade	12	12	n/a	n/a	n/a	n/a	n/a	n/a
Chris Ellison	12	12	n/a	n/a	n/a	n/a	n/a	n/a
Kelvin Flynn	12	12	2	2	2	2	2	2
James McClements	12	12	2	2	2	2	2	2
Tim Roberts	12	12	2	2	2	2	2	2
Xi Xi*	10	10	n/a	n/a	n/a	n/a	1	2

\*Appointed 11 September 2017. Attendance is for meetings held subsequent to appointment date.

**Remuneration report (audited) (continued)**

**REMUNERATION REPORT**

1. Letter from Committee Chair
2. Remuneration Report
3. Remuneration philosophy and strategy
4. Remuneration governance
5. Remuneration structure
6. Remuneration mix
7. Remuneration opportunity
8. Structural elements
9. Long Term Incentive Program
10. Managing Director remuneration
11. Non-Executive Director remuneration
12. Overview of Company performance and the relationship to remuneration
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15. Share based payments
16. Additional disclosures relating to KMPs
17. Transactions with related parties



## Remuneration report (audited) (continued)

### 1. Letter from Committee Chair

Dear Shareholders

I am pleased to present the 2018 Financial Year Remuneration Report (**Remuneration Report**) for Mineral Resources Limited (**MRL** or the **Company**).

Since the 2017 AGM, the Remuneration Committee and wider Board of Directors has invested considerable time and effort engaging with shareholders and proxy advisors to understand precisely where the revisions that were made to the remuneration structure and practices ahead of the 2017 AGM fell short of shareholder expectations, and to discuss the concerns still held.

As a result of this review and with due consideration of the Board's objectives that the Key Management Personnel (**KMP**) and senior management team continue to deliver financial performance in line with the Group's strategy, the Board has concluded that the remuneration structure adopted in FY17 remains fit for purpose.

MRL's remuneration structure continues to contain features that may appear contrary to views expressed by proxy advisors. I assure you that prior to adopting and/or retaining such features, the Board carefully deliberated these matters and rigorously tested its own views and those of its external advisors. We have also provided our explanation for the inclusion of such features in the report below.

#### 2018 remuneration philosophy

During FY18, the Company has observed a marked reduction in the available pool of high calibre people looking for work in the mining and resources industry, primarily caused by two factors:

1. A loss of expertise in the Western Australian market due to a number of people relocating to the eastern states or moving overseas to secure work; and
2. A resurgence during FY18 in the Western Australian mining industry, specifically in the lithium and iron ore industry, with many new projects either having been developed and now commencing commissioning, in the process of development, or having been announced for development commencing in the near future.

The aim of MRL's remuneration structure and practices remains unchanged from previous years; it is designed to enable the Company to attract, motivate, reward and retain the calibre of business professionals necessary to achieve the Company's strategic priorities. By doing so, the Company is able to continue to maximise shareholder value in an environment of increasing local and international competition for highly skilled and experienced executives.

It is vital that the structure and practices provide for a performance based remuneration structure that assists the Company drive and achieve the strategic priorities set by the Board. At the same time, it remains a key principle that remuneration practices are firmly aligned with the interests of shareholders by incentivising KMP to deliver long term value creation.

#### Remuneration structure and practices for FY18

A key change to the FY18 remuneration system, which the Board believes further strengthens the system and acknowledges the concerns previously expressed by stakeholders, is that Long Term Incentive (**LTI**) shares that vest, are placed under trading lock, and released only after the 38 month assessment period described below, has expired. Full detail of these changes are contained in the body of the Remuneration Report below.

In addition, the definition of Return on Invested Capital (**ROIC**) used to assess the LTI, has been standardised to conform with the following measures:

Measure of performance	Statutory profits are used as the base measure and then adjusted to remove abnormal accounting adjustments, such as revaluations of investments, to arrive at a Net Operating Profit After Tax ( <b>NOPAT</b> ). Abnormal accounting adjustments removed from statutory profits, both favourable and unfavourable, fall outside of management control.
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Invested Capital	Invested Capital is calculated using net assets plus net interest bearing debt. This includes the effects of impairments and the after tax effect of any abnormal accounting adjustments that have been excluded from the NOPAT measure described above.
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### Company performance and remuneration outcomes for FY18

Despite volatile pricing in the iron ore industry, with the discount for low grade iron ore against the benchmark 62% Platts iron ore index exceeding 40% at times, the Company's executive and senior management have remained focused on delivering the following substantial positive returns for shareholders:

1. Earnings before interest, tax, depreciation and amortisation (**EBITDA**) of \$575 million, an improvement of 21% on the prior corresponding period (**pcp**)
2. Return on Invested Capital (**ROIC**) of 18.3%
3. Total Shareholder Return (**TSR**) improvement of 43%
4. Implementation of a number of key business development initiatives, including a globally significant scale lithium project at Wodgina, that will have significantly positive impact on future creation of shareholder value
5. Continued world-class safety performance with a 12-month total recordable injury frequency rate of 2.49.

The remuneration outcomes this year reflect the outstanding results achieved during FY2018.

### Conclusion

I commend this remuneration report to all shareholders and proxy advisors and welcome the opportunity to discuss it with you either prior to, or at, the 2018 Annual General Meeting in November.

Yours faithfully



James McClements  
Lead Independent Non-Executive Director  
Chairman, Remuneration Committee

**Remuneration report (audited) (continued)**

**2. Remuneration Report**

**2.1. Audit of the Remuneration Report**

This Report forms part of the Directors' Report, describes remuneration arrangements in place for KMP and provides the specific details required to be disclosed under relevant provisions of the Corporations Act.

**2.2. Key Management Personnel**

KMP comprise those persons that have responsibility, authority and accountability for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. In this report, a reference to an "Executive" or "Executives" is a reference to a KMP.

The Group's KMP for FY18 are as follows:

*(i) Non-Executive Directors:*

Peter Wade	Non-Executive Chairman (an associated director)
Kelvin Flynn	Non-Executive Director (an independent director)
James McClements	Lead Independent Non-Executive Director (an independent director)
Tim Roberts	Non-Executive Director (an independent director)
Xi Xi	Non-Executive Director (an independent director, appointed 11 September 2017)

*(ii) Executive Director*

Chris Ellison	Managing Director
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*(iii) Other Executives*

Danny McCarthy	Chief Operating Officer
Bruce Goulds	Chief Financial Officer/Company Secretary
David Geraghty	Executive General Manager

A change in Bob Gavranich's duties for FY2018 means he no longer meets the description of a KMP for the purposes of this report.

**3. Remuneration philosophy and strategy**

**3.1. Drivers for business success**

MRL's business is unique with no real peer in the Australian mining industry:

- The core business of the Company is that of a mining services contractor
- The Company is also an owner and operator of mining related infrastructure
- The Company acquires significant ownership stakes in ore bodies and operates the associated mines to provide organic growth to its mining services and mining infrastructure business.

The Board sets what it considers to be a robust ROIC criteria that must be satisfied when management evaluates whether to invest capital on a mining or mining related project.

The Company's management and workforce then applies its suite of highly unique and robust operational skills and capabilities to maximise investment returns from these projects from the following:

(a) Capital discipline by not overpaying to acquire strategic targets

(b) Investing in projects that:

- (i) are compatible with the Company's skillset
- (ii) can create synergies and economies of scale with the Company's existing portfolio of projects
- (iii) will create organic growth for the Company's mining services business by delivering life of mine, mining service contracts
- (iv) allow equity divestment for material capital gain once the Company achieves steady state production at the project

**Remuneration report (audited) (continued)**

- (c) Optimise profitability by continually challenging capital operating costs as well as optimising availability and utilisation of key plant and equipment
- (d) using innovation as a differentiator from its competitors, to create barriers to entry for others and to drive improved profitability.

This proven key strategy continues to successfully facilitate the creation of maximum, long term shareholder value through the generation of superior returns on capital invested.

**3.2. Remuneration philosophy and strategy**

The five principles that influence the Company's decisions when establishing KMP remuneration arrangements remain as follows:

- (a) fairness and equity in establishing a fair level of reward for performance
- (b) transparency to present the direct linkage between reward and performance
- (c) alignment to promote mutually beneficial outcomes between employee, client and shareholder interests
- (d) incentivise behaviour that maximises the return on invested capital available to the Company by rigorous project selection and implementing optimal management practices
- (e) maintenance of the MRL culture and behaviours to promote innovation, safety, corporate governance, social and environmental responsibility.

The quality of MRL's management and workforce directly impacts on the Company's overall performance and the financial returns that are generated for shareholders.

Consistent with this correlation, our remuneration policy must be structured to allow the Company to attract, motivate, reward and retain the calibre of people necessary for the Company to achieve the corporate strategy the Board sets to maximise shareholder value.

Consistent with previous years, KMP remuneration structure comprises a balanced mix of three components being fixed salary and two performance based components:

- (a) Fixed annual remuneration (**FAR**): remunerates KMP for achieving the key result areas of their specific role
- (b) Short-term incentive (**STI**): at-risk, short term incentives that reward KMP for individual contribution to business performance over a twelve-month period; can be measured by one or more personal, business unit and corporate KPIs depending upon the specific role; paid in cash
- (c) Long-term incentive (**LTI**): at-risk, long term incentives that reward all KMPs when their collective performance leads to MRL creating shareholder value that meets or exceeds a pre-determined criteria over three consecutive financial years; paid in MRL shares to create alignment of remuneration structure with interests of shareholders by making KMP shareholders in the Company. LTI shares are held in trading lock, and released to participants for trading only after the release of the third financial year's results and after assessing for the Clawback Policy mentioned at 4.2 below. This provided an ongoing incentive for LTI participants to deliver value-adding growth for shareholders.

The Board continues to employ a benchmarking strategy that considers a range of factors when setting KMP remuneration levels and utilises an independent analytical group to establish a relevant peer group of companies for remuneration comparison purposes.

## Remuneration report (audited) (continued)

The key features of the KMP remuneration packages remain as follows:

- (a) minimum threshold measures must be met to realise base remuneration entitlements; further incentive opportunities to motivate KMP to achieve stretch corporate targets
- (b) devised to attract and retain KMPs that have the skills and experience necessary to deliver performance targets set by the Board
- (c) comply with applicable legal requirements and appropriate standards of governance.

### 4. Remuneration governance

#### 4.1. Role of the Remuneration Committee

For FY18, the Remuneration Committee continued to be comprised solely by Independent Non-Executive Directors:

- James McClements      Committee Chair
- Kelvin Flynn              Committee Member
- Tim Roberts              Committee Member

The Remuneration Committee advises the Board on KMP remuneration by performing the following functions:

- (a) making recommendations on remuneration structure, practices and policy to the Board
- (b) determining the pool of available funds (as a percentage of NPAT) that the Board and management may distribute to STI participants **provided** those individuals have achieved their agreed KPIs
- (c) determines the eligibility and vesting of LTI awards.

As noted in the Directors' Report, the Remuneration Committee convened regularly throughout FY18 and invited senior management and external consultants' input as required.

#### 4.2. Clawback Policy

MRL continues to operate a Clawback Policy that provides the Board with the discretion to claw back previously vested LTI awards in the event it concludes that such awards would not have vested as a result of:

- (a) fraud, dishonesty or breach of duties (including misstatement or manipulation of financial information) of any person; or
- (b) intentional or inadvertent conduct of any person that the Board determines resulted in an unfair benefit being obtained by an employee.

#### 4.3. Change of Control / Resignation / Retirement in the event of ill health

The Board retains discretion over STI awards and LTI entitlement (to which an individual has become entitled subject to performance, which has not yet vested) in circumstances of a change in control of MRL or as a result of resignation/retirement.

#### 4.4. External consultants

As with previous years, the Remuneration Committee engaged the services of independent external consultants to provide insights on remuneration trends, regulatory and governance updates and market data in relation to the remuneration of KMP during FY18.

No remuneration recommendations as defined in Section 9B of the Corporations Act 2001 were obtained during FY18.

Remuneration report (audited) (continued)

5. Remuneration structure

5.1. Notice periods and termination conditions of KMP for FY18

	Termination notice period	Retirement Benefits (in excess of Statutory Entitlements)
Chris Ellison – Managing Director	12 months <sup>1</sup>	Nil
Bruce Goulds – Chief Financial Officer and Company Secretary	12 months <sup>1</sup>	Nil
Danny McCarthy – Chief Operating Officer	12 months <sup>1</sup>	Nil
David Geraghty – Executive General Manager	6 months	Nil

<sup>1</sup> Increased from 6 months in FY17 as a retention measure.

6. Remuneration Mix

6.1. Target remuneration mix for FY18

Executives:	FAR FY18	STI – At Risk FY18	LTI – At Risk FY18
<i>Managing Director</i>			
Chris Ellison	37%	19%	44%
<i>Other Executives</i>			
Bruce Goulds	42%	16%	42%
Danny McCarthy	42%	16%	42%
David Geraghty	51%	18%	31%

6.2. Actual remuneration mix

The proportion of FAR, STI and LTI paid or payable in FY17 and FY18 is as follows:

Executives:	FAR		STI – At Risk		LTI – At Risk	
	2018	2017	2018	2017	2018	2017
<i>Managing Director</i>						
Chris Ellison	34%	30%	8%	15%	58%	55%
<i>Other Executives</i>						
Bruce Goulds	36%	32%	11%	13%	53%	55%
Danny McCarthy	41%	33%	7%	12%	52%	55%
David Geraghty	48%	43%	12%	14%	40%	43%

Remuneration report (audited) (continued)

7. Remuneration Opportunity

The following table illustrates the range of remuneration opportunity for KMP in FY18 at face value. The actual Take Home Pay analysis is included in the Remuneration Schedules.

		FAR	STI Maximum	LTI Maximum	Total Maximum
Chris Ellison	Managing Director	1,500,000	750,000	2,700,000	4,950,000
Bruce Goulds	CFO/CoSec	820,000	328,000	1,230,000	2,378,000
Danny McCarthy	COO	800,000	320,000	1,200,000	2,325,000
David Geraghty	EGM	675,000	236,250	607,500	1,518,750

Refer to the Remuneration Schedules for the actual maximum remuneration.

8. Structural Elements

8.1. Fixed Annual Remuneration

MRL provides KMP with a competitive FAR having regard to the criticality of their role in the successful performance of the business, individual skills and experience, ease of replacement and prevailing market conditions. FAR consists of base salary and statutory superannuation entitlements.

KMP may elect to receive their FAR in the form of cash or other fringe benefits (for example motor vehicles) subject to the arrangement not requiring the Company to incur any additional costs.

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

No changes were made to KMP FAR for FY18.

8.2. Short Term Incentive Program (STIP)

The STIP is an annual scheme that is settled in cash following the release of the Group's audited annual financial results to the Australian Securities Exchange. Key outcomes targeted by MRL's STIP are:

- (a) to ensure a portion of total remuneration is at risk to motivate superior short term performance
- (b) to provide Key Performance Indicators (**KPIs**) specifically tailored so as to be measurable against tangible outcomes relevant to and capable of being influenced by individual KMP performance
- (c) to provide MRL with the flexibility to manage the overall cost of the program in line with the achievement of corporate performance outcomes by providing the Board with discretion over the total percentage of NPAT made available to pay STI's.

For FY18, the Remuneration Committee determined that the STI pool comprise 3% of the net profit after tax (**NPAT**) achieved during the year. The total STI approved to all eligible KMP and non-KMP employees was \$3.99 million, 1.5% of reported NPAT (half of the available pool).

**Remuneration report (audited) (continued)**

**8.3. STI Measurement principles**

MRL continues to utilise a balanced score card when assessing individual KMP performance for the purposes of calculating STI entitlements.

Metrics used for FY18 were:

- (a) safety indicators (TRIFR and LTI)
- (b) production volumes
- (c) organisational culture and development
- (d) operational costs
- (e) financial measures (corporate and divisional)
- (f) additional personal KPIs aligned to business plan and set at stretch levels of performance.

The precise mix of metrics selected for each KMP is configured to ensure they are linked to and measurable against business outcomes that he or she can influence so the assessment is both relevant and fair.

The annual results for FY18 in respect of ROIC, safety performance and other site specific measures were achieved, and in most cases exceeded.

Personal KPIs have been reviewed and the relevant proportion of the STI award linked to these measures has been appropriately allocated to each of the individual participants of the STI.

**8.4. Appropriateness of single STI award**

The Remuneration Committee considered feedback received during FY18 that suggested the STI award should be paid in two tranches; one upon release of the annual results of the assessment year and the second following release of the annual results for the financial year following the assessment year.

The Remuneration Committee concluded that:

- MRL's STIP is intended to be an "at risk" short term reward mechanism designed to reward performance during a 12 month period
- Notwithstanding STIP is paid in one tranche, it remains "at risk" because it remains subject to the KMP achieving an agreed set of KPI's tailored to suit each individual
- MRL's LTIP is designed to fulfil the retention function of the overall remuneration structure and achieves this outcome without requiring any additional retention initiatives from the STIP.

The Remuneration Committee considers the single payment of an STI award is appropriate because it sends a clear message to both existing and future KMPs that the Company places considerable value on properly structured incentives and rewards good performance when that performance occurs.

The Remuneration Committee recommended to the Board that an earned STI award should continue to be paid as a single payment upon release of the annual results for the assessment year and the Board adopted that recommendation.



**Remuneration report (audited) (continued)**

**9. Long Term Incentive Program**

**9.1. ROIC as the LTI performance measure**

Following ongoing consultation and external advice, the Remuneration Committee continues to be of the view that:

- (a) ROIC remains the most appropriate measure for evaluating entitlement to an LTI award:
  - (i) It provides a clear and unambiguous link between Company performance and the creation of shareholder value
  - (ii) It is the key value driver considered when management decides when and how to invest capital
  - (iii) The financial return earned on capital deployed is a true measure of value creation and a long term representation of Company value.
- (b) MRL continues to be a highly capital intensive business. As such, it is vital that KMP ensure that maximum returns are generated on capital that is invested which again supports utilisation of ROIC as the most appropriate measure for assessing KMP entitlement to LTI.

The Company evaluated TSR and EPS as other potential, and often used, metrics but again concluded neither are suitable for measuring the performance of MRL's KMP:

- (c) TSR hurdles are highly susceptible to external market forces which affect share price but not necessarily the Company's financial performance. These market forces almost always fall outside the control of KMP. By vested LTI remaining subject to long term disposal restrictions, the KMP remains incentivised to maximise TSR over the four year assessment and performance period for each LTI award.
- (d) Similarly, EPS hurdles are not considered an appropriately pure measure of the performance of either the KMP or the Company itself given the Board can issue additional share capital in the Company in a range of circumstances including merger and acquisition activities that utilises scrip for scrip consideration, which in all cases is outside KMP control.

Given the LTI is implemented to provide a direct linkage to executive performance and company outcomes, the Board remains of the view that ROIC is the single most appropriate metric which is transparent and fair to all stakeholders.

**9.2. Changes to LTI for FY18**

Specific amendments to the LTI implemented for FY18 and beyond are:

- (a) ROIC measured at Group level continues to be the metric used for measuring Company performance and entitlement to LTI awards
- (b) Statutory profits are used as the base measure of the return and then adjusted to remove abnormal accounting adjustments, whether favourable or unfavourable, to arrive at an operating profit after tax.

The Company no longer utilises normalised NPAT as the measure for calculating ROIC, a key concern raised by shareholders at and subsequent to the FY17 AGMs.

- (c) Invested Capital is now calculated as the sum of Net Assets and Net Interest Bearing Debt adjusted for impairments and abnormal accounting adjustments.

The change from the definition of Invested Capital used in FY17 (Net Assets as per the published Balance Sheet) acknowledges concerns conveyed by shareholders during the consultation process following the FY17 AGM.

Subject to the performance hurdle being met, LTI shares will vest to the individual along with the corresponding dividends and voting rights, however shares that have vested remain subject to disposal restrictions preventing the individual from selling the vested shares until 38 months after the conclusion of the

## Remuneration report (audited) (continued)

award year (that is, upon release of the full year financial results for the third financial year after the award year. For example, disposal restrictions on FY18 LTI shares will not be lifted until release of the full year financial results for FY21 expected to occur in August 2021).

### 10. Managing Director Remuneration

The Managing Director's remuneration for FY18 remains unchanged from that disclosed in FY17.

As noted at 13.1 below, the Remuneration Committee determined that the MD's' STI for FY18 would be reduced to 50% of his potential entitlement.

### 11. Non-Executive Director remuneration

Non-Executive Director remuneration remains unchanged from that disclosed in FY17 and remains as follows:

Chairman	\$250,000 (plus superannuation)
Non-Executive Director	\$140,000 (plus superannuation)

Non-Executive Director remuneration is not linked to Company performance, however to create alignment with shareholders, Non-Executive Director fees continue to be paid 50% in cash and 50% in MIN shares. All directors are subject to the Company's Security Trading Policy.

### 12. Overview of Company Performance and the relationship to remuneration

A summary of the Group's financial performance over the last five years is set out in the tables below. The relationship between the Group's financial performance, return to Shareholders and KMP remuneration reflects the direct correlation between financial performance, shareholder value creation and executive remuneration.

#### 12.1. Financial performance FY14 to FY18

\$000's	FY14	FY15	FY16	FY17	FY18
Revenue	1,899,032	1,299,063	1,177,641	1,457,992	1,624,431
EBITDA (per Segment Note)	554,061	283,028	278,172	473,452	575,177
Operating EBITDA	554,061	283,028	278,172	473,452	506,724 <sup>1</sup>
NPAT (per Income Statement)	230,536	12,544	(26,079)	200,965	271,848
Net Operating Profit After Tax (NOPAT) <sup>2</sup>	237,429	78,104	(29,411)	207,553	229,905
Diluted EPS (cents/share)	124.10	6.85	(13.31)	107.66	145.3

<sup>1</sup> EBITDA as reported in the Segment Note of \$575 million, less \$59 million related to the fair value gain on the Group's investments in Pilbara Minerals Limited (ASX: PLS) and Hazer Group Limited (ASX: HZR) on early adoption of AASB 9 and \$9 million related to the gain on bargain purchase recognized on business combination of Empire Oil Company (WA) Limited

<sup>2</sup> Refer table 13.2 for details on calculation of NOPAT

#### 12.2. Total Shareholder Return

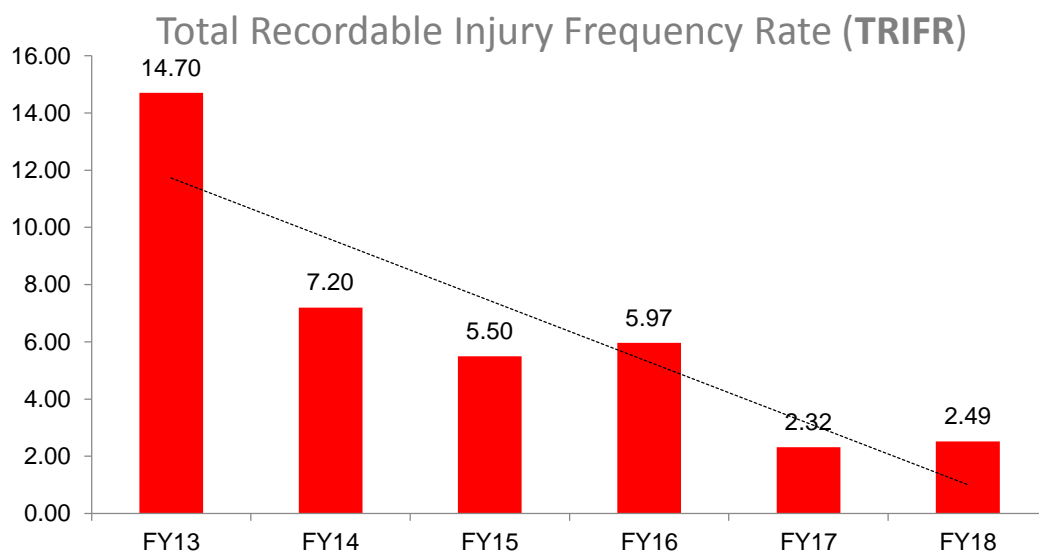
Shareholder return over the last five years is set out below.

\$/share	FY14	FY15	FY16	FY17	FY18
Opening share price	\$8.25	\$9.59	\$6.60	\$8.31	\$10.85
Closing share price	\$9.59	\$6.60	\$8.31	\$10.85	\$16.00
Increase/(decrease) in share price	\$1.34	(\$2.99)	\$1.71	\$2.54	\$5.15
Total dividends paid	\$0.62	\$0.40	\$0.24	\$0.42	\$0.58
TSR	\$1.96	(\$2.60)	\$1.95	\$2.96	\$5.73
Cumulative TSR	\$11.03	\$8.44	\$10.38	\$13.34	\$19.07
Percentage increase in TSR	21.6%	(23.5%)	23.1%	28.5%	42.9%

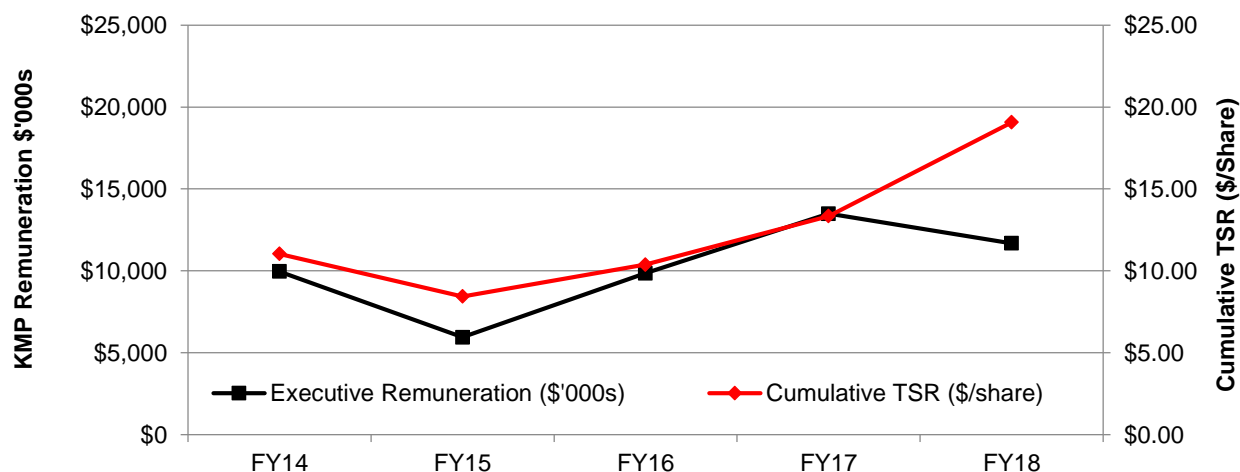
Remuneration report (audited) (continued)

### 12.3. Safety performance

The Group's Total Reportable Injury Frequency Rate (**TRIFR**) has shown exceptional improvement over the last five years and the results in FY18 demonstrate sustained industry leading safety performance.



### 12.4. Relationship between executive remuneration and Total Shareholder Return



Remuneration report (audited) (continued)

13. FY18 Remuneration outcomes

13.1. STI performance outcomes

STI performance is outlined for the MD, COO, CFO and an illustration for an Operational Executive General Manager.

The STI KPI targets and FY18 results for the managing director are listed below (specific scores withheld).

Target	Weighting	Achievement
Managing Director		
Safety measures	20%	Yes
Strategic growth targets	20%	Partial
Operational efficiency and performance targets	10%	Partial
Financial management performance targets	20%	Partial
Organisational culture and development	30%	Partial
Total	100%	50%
Chief Financial Officer		
Safety measures	25%	Yes
Strategic growth targets	25%	Partial
Financial management performance targets	25%	Yes
Organisational culture and development	25%	Partial
Total	100%	75%
Chief Operating Officer		
Safety measures	20%	Yes
Strategic growth targets	20%	Partial
Operational efficiency and performance targets	10%	Partial
Financial management performance targets	20%	Partial
Organisational culture and development	30%	Partial
Total	100%	50%
Executive General Manager		
Safety measures	25%	Yes
Operational outcomes	25%	Partial
Operational efficiency and performance targets	25%	Yes
Organisational culture and development	25%	Partial
Total	100%	75%

The Remuneration Committee has increased the granularity of the KPI target measures for FY19 to ensure STI participants are clearly able to measure and manage their personal performance and their contribution to Group deliverables.

Remuneration report (audited) (continued)

13.2. Return on Invested Capital (ROIC)

For FY18 the Company achieved a ROIC of 18.3% which entitles LTI participants to be granted performance rights equal to 150% of their base LTI entitlement. ROIC is calculated as Net Operating Income After Tax (NOPAT) over Invested Capital (IC) where IC is the total of Net Assets plus net interest bearing debt. NOPAT is calculated as Earnings before Interest, Tax, Depreciation and Amortisation (EBITDA) adjusted for the impact of any abnormal accounting adjustments, such as revaluations of assets. Historical comparisons are based on the new FY18 basis for measuring ROIC.

\$ millions	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual
NOPAT:					
EBITDA	554.1	283.0	278.2	473.5	575.2
Abnormal items	-	-	-	-	(68.5)
EBITDA for ROIC	554.1	283.0	278.2	473.5	506.7
Less impairments	(18.2)	(44.5)	(186.2)	(16.7)	(65.4)
Less Depreciation and Amortisation	(196.7)	(126.9)	(134.0)	(160.2)	(112.9)
Net Operating Profit Before Tax	339.2	111.6	(42.0)	296.6	328.4
Less tax at 30%	(101.8)	(33.5)	12.6	(89.0)	(98.5)
NOPAT	237.4	78.1	(29.4)	207.6	229.9
Invested Capital:					
Net assets (per balance sheet)	1,139.3	1,082.2	1,008.7	1,132.1	1,304.6
Abnormal items (net of tax)	-	-	-	-	(48.0)
Net Assets for ROIC	1,139.3	1,082.2	1,008.7	1,132.1	1,256.6
Net Debt	19.3	55.3	136.1	-	98.9
Invested Capital	1,158.6	1,137.5	1,144.8	1,132.1	1,355.5
Strategic cash holding	(100.0)	-	(100.0)	(100.0)	(100.0)
Net Invested Capital	1,058.6	1,137.5	1,044.8	1,032.1	1,255.5
ROIC %	22.4%	6.9%	(2.8)%	20.1%	18.3%

The Board nominated strategic cash holding of \$100 million is excluded from the calculation of Invested Capital on the basis that retention of a strong cash balance, and available borrowing facilities, are to enable strategic growth and investment. As retention of cash is a Board decision that KMPs and Non-KMP management are unable to influence, it is unreasonable to require KMPs and Non-KMP to earn a return on these facilities. Strategic cash is defined as cash over and above normal operational requirements retained for future opportunities.

13.3. Share-based compensation

13.3.1 Issue of shares

The LTI Entitlement for FY18 entitles the following KMPs to potentially receive the following volume of shares which, subject to meeting the Minimum Performance Hurdle each year or on average will be issued over three equal tranches in August 2019, August 2020 and August 2021:

Name	Role	Total potential MIN Shares <sup>1</sup>
Chris Ellison	Managing Director	168,157
Bruce Goulds	Chief Financial Officer	76,605
Danny McCarthy	Chief Operating Officer	74,737
David Geraghty	EGM – PMI	37,835

<sup>1</sup> Based on VWAP for the five days to 30 June 2018 of \$16.0594

Remuneration report (audited) (continued)

14. KMP remuneration schedules

14.1. FY18 Remuneration Schedule

	Short Term Benefits			Post Employment Benefits	Long Term Incentives	
	Salary and Fees (FAR)	FY18 STI accrued	Non-Monetary	Superannuation	Face value FY18 granted <sup>2</sup>	Total
	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors</i>						
Peter Wade	125,000	-	125,000	20,049	-	270,049
Kelvin Flynn	70,000	-	70,000	13,300	-	153,300
James McClements	70,000	-	70,000	13,300	-	153,300
Tim Roberts	70,000	-	70,000	13,300	-	153,300
Xi Xi <sup>1</sup>	66,868	-	56,192	-	-	123,060
<i>Executive Director</i>						
Chris Ellison	1,500,000	375,000	77,264	20,049	2,700,000	4,672,313
<i>Other Executives</i>						
Bruce Goulds	820,000	246,000	-	20,049	1,230,000	2,316,049
Danny McCarthy	735,000 <sup>3</sup>	160,000	179,400	20,049	1,200,000	2,294,449
David Geraghty	675,000	177,188	30,335	20,049	607,500	1,510,072
	4,131,868	958,188	678,191	140,145	5,737,500	11,645,892

<sup>1</sup> Appointed 11 September 2017.

<sup>2</sup> Face value of FY18 grant subject to future vesting conditions

<sup>3</sup> Net of \$65,000 salary sacrifice

Remuneration report (audited) (continued)

14.2. FY18 Take Home Pay

	Short Term Benefits			Post Employment Benefits	Long Term Incentives			Total
	Salary and Fees (FAR)	FY18 STI accrued	Non Monetary	Super-annuation	FY16 vesting in FY18	FY17 vesting in FY18	FY18 Vested	
	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors</i>								
Peter Wade	125,000	-	125,000	20,049	-	-	-	270,049
Kelvin Flynn	70,000	-	70,000	13,300	-	-	-	153,300
James McClements	70,000	-	70,000	13,300	-	-	-	153,300
Tim Roberts	70,000	-	70,000	13,300	-	-	-	153,300
Xi Xi <sup>1</sup>	66,868	-	56,192	-	-	-	-	123,060
<i>Executive Director</i>								
Chris Ellison	1,500,000	375,000	77,264	20,049	400,000	-	-	2,372,313
<i>Other Executives</i>								
Bruce Goulds	820,000	246,000	-	20,049	205,000	-	-	1,291,049
Danny McCarthy	735,000	160,000	179,400	20,049	200,000	-	-	1,294,449
David Geraghty	675,000	177,188	30,335	20,049	94,176	-	-	996,748
	4,131,868	958,188	678,191	140,145	899,176	-	-	6,807,568

<sup>1</sup> Appointed 11 September 2017



Remuneration report (audited) (continued)

14.3. FY17 Remuneration Schedule

	Short Term Benefits			Post Employment Benefits	Long Term Incentives				Total
	Salary and Fees (FAR)	FY17 STI accrued	Non Monetary	Super-annuation	FY17 Vested	FY16 vesting in FY17 <sup>2</sup>	FY16 Adjustment <sup>3</sup>	Face value FY17 grant <sup>4</sup>	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors</i>									
Peter Wade	199,992	-	-	18,577	-	-	-	-	218,569
Kelvin Flynn	98,100	-	-	-	-	-	-	-	98,100
James McClements	90,001	-	-	8,550	-	-	-	-	98,551
Tim Roberts <sup>1</sup>	65,400	-	-	6,213	-	-	-	-	71,613
<i>Executive Director</i>									
Chris Ellison	1,457,251	750,000	76,808	19,616	-	60,000	120,000	2,700,000	5,183,675
<i>Other Executives</i>									
Bruce Goulds	819,997	328,000	6,056	19,615	-	71,750	143,500	1,230,000	2,618,918
Danny McCarthy	768,482	320,000	58,555	19,616	-	70,000	140,000	1,200,000	2,576,653
David Geraghty	615,754	220,000	13,943	20,763	-	32,961	65,921	566,000	1,535,342
Bob Gavranich	753,845	132,000	59,092	19,616	-	39,375	78,750	-	1,082,678
	4,868,822	1,750,000	214,454	132,566	-	274,086	548,171	5,696,000	13,484,099

<sup>1</sup> Appointed 17 November 2016

<sup>2</sup> FY16 LTI vesting in FY17

<sup>3</sup> FY16 LTI grant balance for future vesting

<sup>4</sup> Face value of FY17 grant subject to future vesting conditions

Remuneration report (audited) (continued)

14.4. FY17 Take Home Pay

	Short Term Benefits			Post Employment Benefits	Long Term Incentives		Total
	Salary and Fees (FAR)	FY17 STI accrued	Non Monetary	Super-annuation	FY16 vesting in FY17 <sup>2</sup>	FY17 Vested	
	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors</i>							
Peter Wade	199,992	-	-	18,577	-	-	218,569
Kelvin Flynn	98,100	-	-	-	-	-	98,100
James McClements	90,001	-	-	8,550	-	-	98,551
Tim Roberts <sup>1</sup>	65,400	-	-	6,213	-	-	71,613
<i>Executive Director</i>							
Chris Ellison	1,457,251	750,000	76,808	19,616	450,000	-	2,753,675
<i>Other Executives</i>							
Bruce Goulds	819,997	328,000	6,056	19,615	205,000	-	1,378,668
Danny McCarthy	768,482	320,000	58,555	19,616	200,000	-	1,366,653
David Geraghty	615,754	220,000	13,943	20,763	94,173	-	964,633
Bob Gavranich	753,845	132,000	59,092	19,616	112,500	-	1,077,053
	4,868,822	1,750,000	214,454	132,566	1,061,673	-	8,027,515

<sup>1</sup> Appointed 17 November 2016

<sup>2</sup> FY16 LTI Vesting in FY17 - as per FY16 Remuneration Report



Remuneration report (audited) (continued)

15.2. Expenses arising from share based payment transactions

Total expenses arising from share based transactions recognised during the period as part of employee benefits were as follows:

	Group	
	FY18	FY17
	\$	\$
<i>Value of LTI remuneration granted</i>		
Key Management Personnel	5,737,500	5,696,000
Other Senior Managers	2,179,880	2,962,000
	7,917,380	8,658,000
<i>Value of LTI remuneration vested</i>		
Key Management Personnel - FY18	-	n/a
Key Management Personnel - FY17	-	-
Key Management Personnel - FY16	899,176	1,099,176
Other Senior Managers - FY18	-	n/a
Other Senior Managers - FY17	-	-
Other Senior Managers - FY16	590,567	610,569
	1,489,743	1,709,745
<i>Value of LTI remuneration forfeited</i>		
Key Management Personnel - FY18	-	n/a
Key Management Personnel - FY17	-	-
Key Management Personnel - FY16	-	-
Other Senior Managers - FY18	-	n/a
Other Senior Managers - FY17	550,876	-
Other Senior Managers - FY16	293,225	211,981
	844,101	211,981
<i>Value of LTI remuneration subject to vesting conditions</i>		
Key Management Personnel - FY18	5,737,500	n/a
Key Management Personnel - FY17	5,696,000	5,696,000
Key Management Personnel - FY16	1,798,338	2,697,514
Other Senior Managers - FY18	2,179,880	n/a
Other Senior Managers - FY17	2,411,124	2,962,000
Other Senior Managers - FY16	947,888	1,831,680
	18,770,730	13,187,194

**Mineral Resources Limited**  
**Directors' report**  
**30 June 2018**

**Remuneration report (audited) (continued)**

### 15.3. LTI future vesting values

The table below sets out the maximum LTI payable under each of the 2016, 2017 and 2018 LTI plans:

		Remuneration rewarded and value vested:				Rights to deferred shares:		
Name:	Financial Year granted	Amount Granted	Vested	Value Vested	Forfeited	Remaining, subject to vesting conditions	Financial Year in which shares may vest	Maximum Value yet to vest
		(\$)	(%)	(\$)	(%)	(\$)		(\$)
Chris Ellison	2016	1,800,000	55.6%	1,000,000	0.0%	800,000	2016	-
							2017	-
							2018	-
							2019	400,000
							2020	400,000
Chris Ellison	2017	2,700,000	0.0%	-	0.0%	2,700,000	2017	-
							2018	-
							2019	900,000
							2020	900,000
							2021	900,000
Chris Ellison	2018	2,700,000	0.0%	-	0.0%	2,700,000	2018	-
							2019	-
							2020	900,000
							2021	900,000
							2022	900,000
Bruce Goulds	2016	820,000	50.0%	410,000	0.0%	410,000	2016	-
							2017	-
							2018	-
							2019	205,000
							2020	205,000
Bruce Goulds	2017	1,230,000	0.0%	-	0.0%	1,230,000	2017	-
							2018	-
							2019	410,000
							2020	410,000
							2021	410,000
Bruce Goulds	2018	1,230,000	0.0%	-	0.0%	1,230,000	2018	-
							2019	-
							2020	410,000
							2021	410,000
							2022	410,000

**Mineral Resources Limited  
Directors' report  
30 June 2018**

**Remuneration report (audited) (continued)**

		Remuneration rewarded and value vested:				Rights to deferred shares:		
Name:	Financial Year granted	Amount Granted	Vested	Value Vested	Forfeited	Remaining, subject to vesting conditions	Financial Year in which shares may vest	Maximum Value yet to vest
		(\$)	(%)	(\$)	(%)	(\$)		(\$)
Danny McCarthy	2016	800,000	50.0%	400,000	0.0%	400,000	2016 2017 2018 2019 2020	- - - 200,000 200,000
Danny McCarthy	2017	1,200,000	0.0%	-	0.0%	1,200,000	2017 2018 2019 2020 2021	- - 400,000 400,000 400,000
Danny McCarthy	2018	1,200,000	0.0%	-	0.0%	1,200,000	2018 2019 2020 2021 2022	- - 400,000 400,000 400,000
David Geraghty	2016	376,690	50.0%	188,352	0.0%	188,338	2016 2017 2018 2019 2020	- - - 94,169 94,169
David Geraghty	2017	566,000	0.0%	-	0.0%	566,000	2017 2018 2019 2020 2021	- - 188,666 188,667 188,667
David Geraghty	2018	607,500	0.0%	-	0.0%	607,500	2018 2019 2020 2021 2022	- - 202,500 202,500 202,500

Remuneration report (audited) (continued)

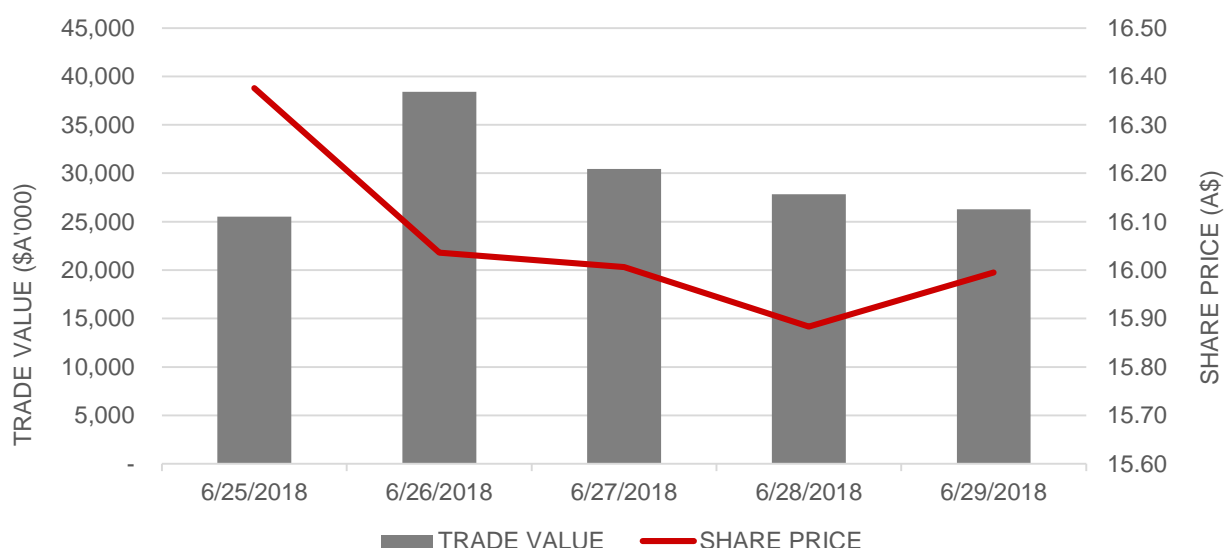
**15.4. Share based payment – valuation FY18:**

The valuation used to determine the fair value of shares to be allotted under the FY18 LTIP and for the Directors share component of their salary is the five-day Volume Weighted Average price to the 30 June 2018. Details are as follows:

*Friday, 30 June 2018*

*Volume-Weighted Average Price Calculation - Summary*

ASX Code:	MIN	Company Name:	Mineral Resources Limited
Start Date:	Monday, 25 June 2018	End Date:	Friday, 29 June 2018
Trade Volume:	9,251,231	Trade Value:	\$148,491,797
VWAP:	16.0594	% Discount:	0.0%



Date	Trade Value	Trade Volume	Daily VWAP
25/06/2018	25,529,123.51	1,558,957	16.3758
26/06/2018	38,400,209.61	2,394,625	16.0360
27/06/2018	30,456,654.93	1,902,755	16.0066
28/06/2018	27,840,841.03	1,752,829	15.8834
29/06/2018	26,264,967.73	1,642,065	15.9951

Average of Daily VWAP

\$16.0594



## 16. Additional disclosures relating to KMPs

### 16.1. KMP shareholdings

There were no options over ordinary shares granted to, or that vested in favour of, KMPs as part of compensation during FY18.

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

Number of Shares	Balance at the start of the year	Received as part of FY16 LTI vesting considerations	FY18 Directors Fees	Other Additions	Disposals/ Other	Balance at the end of the year
Peter Wade	516,162	-	12,494	-	(200,000)	328,656
Kelvin Flynn	-	-	6,997	-	-	6,997
James McClements	-	-	6,997	-	-	6,997
Tim Roberts	-	-	6,997	-	-	6,997
Xi Xi	-	-	5,617	-	-	5,617
Chris Ellison	23,073,100	47,796	-	7,538	(1,862,766)	21,265,668
Bruce Goulds	152,896	24,495	-	-	(70,000)	107,391
Danny McCarthy	23,898	23,898	-	-	-	47,796
Dave Geraghty	1,453,558	11,253	-	-	-	1,464,811
	25,219,614	107,442	39,102	7,538	(2,132,766)	23,240,930

## 17. Transactions with related parties

### 17.1. Transactions with related parties

The following transactions occurred with related parties:

	2018 \$	Group 2017 \$
Properties from which the Group's operations are performed are rented from parties related to Chris Ellison and Peter Wade	(1,901,624)	(1,916,000)
Purchase of goods / hire of equipment from Keneric Equipment Pty Ltd, a company related to Bob Gavranich	(7,444)	(14,000)
Sale of equipment to Keneric Equipment Pty Ltd, a company related to Bob Gavranich	34,844	229,500

Related party transactions relate to legacy properties from when MRL was a privately owned group of companies. The properties continue to be leased from Chris Ellison and Peter Wade with the intention for these leases to run their normal course. The Board does not believe it is in the best interests of MRL to terminate these leases prematurely as the commercial terms are currently favourable relative to alternative options.

### 17.2. Receivable from and payable to related parties

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

	Receivables 2018 \$	Payables 2018 \$	Group Receivables 2017 \$	Payables 2017 \$
Trade receivables from Keneric Equipment Pty Ltd, a company related to Bob Gavranich	-	-	229,500	-

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

### **Indemnity and insurance of officers**

The Company has indemnified the directors and executives of the Company 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 the 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.

### **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 36 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 36 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 Australia Partners**

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

### **Rounding of amounts**

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

### **Auditor**

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

**Mineral Resources Limited**  
**Directors' report**  
**30 June 2018**

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

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

Chris Ellison  
Managing Director

15 August 2018  
Perth

**RSM Australia Partners**

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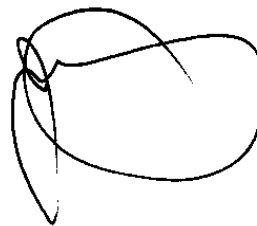
**AUDITOR'S INDEPENDENCE DECLARATION**

As lead auditor for the audit of the financial report of Mineral Resources Limited for the year ended 30 June 2018, 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.

A handwritten signature in dark ink that reads "RSM".

RSM AUSTRALIA PARTNERS

A handwritten signature in dark ink, appearing to be "James Komninou".

JAMES KOMNINOS  
Partner

Perth, WA  
Dated: 15 August 2018

**THE POWER OF BEING UNDERSTOOD**  
**AUDIT | TAX | CONSULTING**

RSM Australia Partners is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

RSM Australia Partners ABN 36 965 185 036

Liability limited by a scheme approved under Professional Standards Legislation

**Mineral Resources Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2018**

		<b>Group</b>	
	<b>Note</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<b>Revenue</b>	4	1,624,431	1,457,992
Other income	5	85,619	15,671
<b>Expenses</b>			
Changes in closing stock		96,454	43,646
Raw materials and consumables		(149,252)	(142,881)
Equipment costs		(72,581)	(44,540)
Subcontractors		(149,153)	(93,225)
Employee benefits expense		(225,159)	(203,834)
Transport and freight		(518,937)	(447,736)
Depreciation and amortisation	6	(112,876)	(160,229)
Impairment charges	6	(65,365)	(16,719)
Other expenses		(112,862)	(107,968)
Finance costs	6	(10,090)	(11,731)
<b>Profit before tax</b>		390,229	288,446
Income tax expense	7	(118,381)	(87,481)
<b>Profit after tax for the year</b>		271,848	200,965
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Gain on the revaluation of available-for-sale financial assets, net of tax		-	385
Loss on future cash flow hedge taken to equity		290	385
Other comprehensive income for the year, net of tax		290	770
<b>Total comprehensive income for the year</b>		<u>272,138</u>	<u>201,735</u>
Profit for the year is attributable to:			
Non-controlling interest		(650)	(443)
Owners of Mineral Resources Limited		272,498	201,408
		<u>271,848</u>	<u>200,965</u>
Total comprehensive income for the year is attributable to:			
Non-controlling interest		(650)	(443)
Owners of Mineral Resources Limited		272,788	202,178
		<u>272,138</u>	<u>201,735</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	8	145.30	107.66
Diluted earnings per share	8	145.30	107.66

*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 2018**

		<b>Group</b>	
	<b>Note</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	240,406	378,169
Trade and other receivables	10	101,838	93,313
Inventories	11	132,189	116,443
Current tax assets		33,607	-
Other	12	14,531	6,109
Total current assets		<u>522,571</u>	<u>594,034</u>
<b>Non-current assets</b>			
Receivables	13	250	15,350
Financial assets	14	118,113	54,890
Property, plant and equipment	15	972,531	723,732
Intangibles	16	69,302	75,639
Exploration and mine development	17	364,484	319,187
Deferred tax	7	38,084	51,680
Total non-current assets		<u>1,562,764</u>	<u>1,240,478</u>
<b>Total assets</b>		<u>2,085,335</u>	<u>1,834,512</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	19	261,571	164,327
Borrowings	20	63,852	208,443
Income tax		-	6,163
Employee benefits	21	42,176	32,417
Provisions	22	7,115	19,264
Total current liabilities		<u>374,714</u>	<u>430,614</u>
<b>Non-current liabilities</b>			
Borrowings	20	175,437	66,218
Deferred tax	7	165,736	142,807
Provisions	22	64,882	62,781
Total non-current liabilities		<u>406,055</u>	<u>271,806</u>
<b>Total liabilities</b>		<u>780,769</u>	<u>702,420</u>
<b>Net assets</b>		<u>1,304,566</u>	<u>1,132,092</u>
<b>Equity</b>			
Issued capital	23	511,188	502,448
Reserves		1,442	1,152
Retained profits		<u>774,126</u>	<u>610,130</u>
Equity attributable to the owners of Mineral Resources Limited		<u>1,286,756</u>	<u>1,113,730</u>
Non-controlling interest		<u>17,810</u>	<u>18,362</u>
<b>Total equity</b>		<u>1,304,566</u>	<u>1,132,092</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 2018**

<b>Group</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 2016	502,353	382	487,055	18,864	1,008,654
Profit/(loss) after tax for the year	-	-	201,408	(443)	200,965
Other comprehensive income for the year, net of tax	-	770	-	-	770
Total comprehensive income for the year	-	770	201,408	(443)	201,735
<i>Transactions with owners in their capacity as owners:</i>					
Share issued under Dividend Reinvestment Plan (note 23)	5,567	-	-	-	5,567
Share buy-back (note 23)	(5,472)	-	-	-	(5,472)
Acquisition of subsidiary	-	-	-	121	121
Acquisition of non-controlling interest	-	-	180	(180)	-
Dividends paid (note 24)	-	-	(78,513)	-	(78,513)
Balance at 30 June 2017	502,448	1,152	610,130	18,362	1,132,092
<b>Group</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 2017	502,448	1,152	610,130	18,362	1,132,092
Profit/(loss) after tax for the year	-	-	272,498	(650)	271,848
Other comprehensive income for the year, net of tax	-	290	-	-	290
Total comprehensive income for the year	-	290	272,498	(650)	272,138
<i>Transactions with owners in their capacity as owners:</i>					
Share issued under Dividend Reinvestment Plan (note 23)	6,493	-	-	-	6,493
Share issued on exercise of options (note 23)	2,247	-	-	-	2,247
Acquisition of subsidiary (note 30)	-	-	-	98	98
Dividends paid (note 24)	-	-	(108,502)	-	(108,502)
Balance at 30 June 2018	511,188	1,442	774,126	17,810	1,304,566

*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 2018**

		Group	
	Note	2018 \$'000	2017 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		1,654,505	1,456,165
Payments to suppliers and employees		(1,115,832)	(1,074,658)
		538,673	381,507
Interest received		3,522	3,562
Interest and other finance costs paid		(9,430)	(11,281)
Income taxes paid		(121,337)	(78,259)
Net cash from operating activities	9(b)	411,428	295,529
<b>Cash flows from investing activities</b>			
Payments for investments		(14,905)	(19,868)
Proceeds from disposal of investment		9,763	14,159
Payments for property, plant and equipment		(259,713)	(115,375)
Proceeds from disposal of property, plant and equipment		7,739	11,082
Payments for intangibles		(11,704)	(9,405)
Payments for exploration and evaluation		(3,791)	(53,410)
Payments for mine development expenditure		(66,920)	(38,189)
Amounts received from/(advanced to) joint operations		6,754	(13,508)
Amounts advanced to other parties		-	(15,085)
Net cash used in investing activities		(332,777)	(239,599)
<b>Cash flows from financing activities</b>			
Dividends paid		(102,009)	(72,946)
(Repayment of)/proceeds from borrowings		(114,313)	6,717
Share buy-back		-	(5,472)
Net cash used in financing activities		(216,322)	(71,701)
Net decrease in cash and cash equivalents		(137,671)	(15,771)
Cash and cash equivalents at the beginning of the financial year		378,169	407,293
Effects of exchange rate changes on cash and cash equivalents		(92)	(13,353)
Cash and cash equivalents at the end of the financial year	9(a)	240,406	378,169

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



## **Notes to the financial statements**

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## **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.

### **1.1 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 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.

#### *Rounding of amounts*

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investment Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

#### *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.

#### *New or amended Accounting Standards and Interpretations adopted*

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the 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.

The Group does not early adopt Accounting Standards and Interpretations that have been issued or amended but are not yet effective with the exception of AASB 9 *Financial Instruments (2014)* which was early adopted on 1 July 2017. Refer to Note 1(v) below for further details.

### **1.2 Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2018 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 the 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.

Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having 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.

**1.3 Summary of significant accounting policies**

**(a) Business combinations**

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

**(b) Joint operations**

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Group has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications.

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

**(c) 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.

For the majority of the Group's sales agreements, the sale price included in the original invoice is referred to as provisional price and is subsequently adjusted to reflect market prices over a quotation period stipulated in the sales contract, typically on or after the vessel's arrival to the port of discharge. The estimated consideration in relation to provisionally priced contracts is marked to market using the spot iron ore price at the end of each reporting period with the impact of the iron ore price movements recorded as an adjustment to sales revenue. 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.

*Construction contracts*

When the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be reliably estimated, contract costs are expensed as incurred and contract revenue is recognised to the extent of contract costs incurred that is probable will be recoverable.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

**(d) 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 for:

- 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.

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

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 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 group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax 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 group.

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

**(e) 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 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.

**(f) Financial Instruments**

The Group applied the classification and measurement requirements for financial instruments under AASB 9 *Financial Instruments* (AASB 9) for the year ended 30 June 2018. The 2017 comparative period was not restated, and the requirements under the replaced AASB 139 *Financial Instruments: Recognition and Measurement* applies to the comparatives. Refer to Note 1(v) for further details on adoption of AASB 9.

**(i) Classification of financial instruments**

The Group classified its financial assets under AASB 9 into the following measurement categories:

- Those to be measured at fair value (either through other comprehensive income (FVOCI), or through profit or loss (FVTPL)); and
- Those to be measured at amortised cost.

The classification depends on the Group's business model for managing financial assets and the contractual terms of the financial assets cash flows.

The Group classifies its financial liabilities as liabilities at amortised cost. This remained largely unchanged from AASB 139.

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

*(ii) Financial assets*

**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. Cash and cash equivalents are classified as financial assets held at amortised cost.

**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 allowance for impairment losses. Trade receivables are generally due for settlement within 30 days.

Refer note 25(d) for the Group's credit risk management policies.

*Impairment of trade receivables*

Collectability of trade receivables is reviewed on an ongoing basis. Loss allowances for trade receivables are measured at an amount equal to lifetime Expected Credit Losses (ECLs). Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 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 a receivable is credit-impaired. ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Debts which are known to be uncollectable are written off by reducing the carrying amount directly. If an impairment allowance has been recognised for a debt that then becomes uncollectable, the debt is written off against the allowance account. If an amount is subsequently recovered, it is credited against profit or loss.

**Loans and other receivables**

Other receivables generally arise from transactions outside the usual operating activities of the Group. Loans and other receivables are classified as financial assets held at amortised cost, less any allowance for impairment losses.

The Group's other receivables do not contain impaired assets and are not past due. Based on the credit history, it is expected that these other receivables will be received when due.

**Financial assets – investments in equity instruments**

The Group's investments in equity instruments that are not held for trading are measured at fair value through profit or loss (FVTPL). An irrevocable election has not been made by management to measure any instruments at fair value through other comprehensive income (FVOCI). This election is made on an investment by investment basis.

Investments in equity instruments are initially recognised at fair value, with transaction costs recognised in the income statement as incurred. Subsequently, they are measured at fair value and any gains and losses are recognised in profit or loss as they arise.

*(iii) Financial liabilities*

**Loans and borrowings**

Loans and borrowings are initially recognised at the 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 the reporting date, the loans or borrowings are classified as non-current.

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

*(iv) Derivative financial instruments*

The Group holds derivative financial instruments to hedge its foreign currency risk exposure and a portion of its exposure to iron ore prices. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

**Cash flow hedges**

Cash flow hedges are used to cover the Group's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. When a derivative is designated as a cash flow hedging instrument, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs. Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

**(g) Inventories**

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' 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, and 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.

**(h) 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*

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:

Building	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 profit or loss as an expense.

**(i) 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.

**(j) 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)**

*Research and development*

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit.

*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.

*Access rights*

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 their estimated useful lives.

**(k) 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 the successful development and exploitation of an area of interest, or by its sale; or 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 thereon is written off in the year in which the decision is made.

**(l) Mine development**

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 the mineral deposit. 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. 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 the 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.

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

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
- (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. The 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

**(m) 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. The 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.

**(n) 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.

**(o) 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.

**(p) Employee benefits**

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

**(q) 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.

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

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.

**(r) 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.

**(s) Dividends**

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

**(t) Earnings per share**

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of Mineral Resources Limited, 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.

*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.

**(u) 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 this 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.

**(v) New or amended Accounting Standards and Interpretations adopted from 1 July 2017**

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the 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.

Apart from AASB 9 *Financial Instruments* noted below, any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

**Early adoption of AASB 9 Financial Instruments**

The Group has early adopted AASB 9 *Financial Instruments* (AASB 9) with a date of initial application of 1 July 2017. The requirements of AASB 9 represent a significant change from AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139). As a result of adopting AASB 9, the terminology and accounting policies for financial assets and liabilities as set out in note 1(f) have been updated in accordance with the requirements of AASB 9. The nature and effects of the key changes to the Group's accounting policies resulting from its adoption of AASB 9 are summarised below.

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

Additionally, the Group adopted consequential amendments to AASB 7 *Financial Instruments: Disclosures* that are applied to disclosures for the year ended 30 June 2018 but generally have not been applied to comparative information.

*Classification of financial assets and financial liabilities on the date of initial application of AASB 9*

The following table shows the original measurement categories under AASB 139 and the new measurement categories under AASB 9 for each class of the Group's financial assets and financial liabilities as at 1 July 2017.

	<b>Note</b>	<b>Original classification under AASB 139</b>	<b>New classification under AASB 9</b>	<b>Original carrying amount under AASB 139</b>	<b>New carrying amount under AASB 9</b>
<b>Financial assets</b>					
Cash and cash equivalents		Loans and receivables	Amortised cost	378,169	378,169
Trade and other receivables	(a)	Loans and receivables	Amortised cost	93,313	93,313
Financial assets – shares in listed corporations	(b)	Available-for-sale	Fair value through profit or loss (FVTPL)	54,890	54,890
Loan receivable	(a)	Loans and receivables	Amortised cost	15,085	15,085

There are no changes to the classification and measurement of the Group's financial liabilities.

The Group's accounting policies on the classification of financial instruments under AASB 9 are set out in Note 1(f). The application of these policies resulted in the reclassifications set out in the table above and the key changes explained below.

- (a) Trade and other receivables (note 10) and loan receivable (note 13) that were classified as loans and receivables under AASB 139 are now classified at amortised cost. No increase in the allowance for impairment was required to be recognised in opening retained earnings at 1 July 2017 on transition to AASB 9.
- (b) These equity securities represent investments that the Group intends to hold for the long term for strategic purposes. As permitted by AASB 9, the Group has designated these investments in listed corporations (note 14) at the date of initial application as measured at FVTPL (FVOCI option not elected). There is no change to the carrying amount as these investments have been held at fair value. There is also no transfer from the available-for-sale reserve to opening retained earnings upon designation of investments to be held at FVTPL as there is no balance in the available-for-sale reserve as at 1 July 2017.

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

The following table reconciles the carrying amounts of financial assets classified under AASB 139 to the carrying amounts classified under AASB 9 on transition at 1 July 2017.

	AASB 139 carrying amount at 30 June 2017	Reclassifi- cation	Remeasure- ment	AASB 9 carrying amount at 1 July 2017
<b>Financial assets</b>				
<i>Amortised cost</i>				
Cash and cash equivalents:				
Reclassified from: Loans and receivables	-	378,169	-	-
Carried forward: Amortised cost	-	-	-	378,169
Trade and other receivables:				
Reclassified from: Loans and receivables	-	93,313	-	-
Carried forward: Amortised cost	-	-	-	93,313
Loan receivable:				
Reclassified from: Loans and receivables	-	15,085	-	-
Carried forward: Amortised cost	-	-	-	15,085
Total amortised cost	-	486,567	-	486,567
<i>FVTPL</i>				
Financial assets – shares in listed corporations:				
Reclassified from: Available-for-sale	-	54,890	-	-
Carried forward: FVTPL	-	-	-	54,890
Total FVTPL	-	54,890	-	54,890

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

Apart from the early adoption of AASB 9 *Financial Instruments* as noted above, 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 year ended 30 June 2018. 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.

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

*AASB 15 Revenue from Contracts with Customers (AASB 15)*

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. 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.

Revenue recognition streams are continually evolving across the Group and management will continue to assess the impact of this Standard accordingly. The Group is planning to adopt this standard on 1 July 2018 using the modified transition approach. As at 30 June 2018, the Group has assessed the following key areas likely to be impacted from the application of this standard from 1 July 2018:

- Freight revenue on sale of products on CFR or CIF terms: For products sold by the Group under CFR or CIF terms, control of the final product passes to the customer although the Group still retains obligations to perform freight/insurance services. AASB 15 requires the individual components of revenue to be recognised separately and therefore freight/insurance revenue is likely to be deferred until the product is delivered rather than when the product is shipped.
- Mobilisation charges on crushing contracts: AASB 15 requires the 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. Mobilisation charges are to be allocated to each performance obligation over the contractual period and therefore likely to be deferred until each performance obligation is delivered, being each tonne of ore crushed, rather than upfront when the mobilisation occurs.

Apart from providing more extensive disclosures on the Group's revenue transactions, the Group does not anticipate that the application of AASB 15 will have a material impact on the financial position and/or financial performance of the Group.

The new standard introduces expanded quantitative and qualitative disclosure requirements. These are expected to change the nature and extent of the Group's disclosures about its revenue from contracts with customers in the year of the adoption of the new standard.

*AASB 16 Leases (AASB 16)*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and will primarily affect the accounting of operating leases for lessees.

Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. A depreciation charge for the leased asset (included in operating costs) and an interest expense on the lease liability (included in finance costs) will be recognised. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs.

Exceptions will apply to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred.

In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117, however EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component.

The Group is still in the process of assessing the extent of the impact of the application of this standard from 1 July 2019 and it is not practicable to provide a reasonable financial estimate of the effect until the Group has completed a detailed review.

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

The preparation of the 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. The 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.

*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(j). 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 audit 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.

*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 the 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 only capitalised 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 (ROM) tonnes of ore produced methodology.

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

*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.

When the outcome of a construction contract cannot be reliably estimated, contract costs are expensed as incurred and contract revenue is recognised to the extent of contract costs incurred that is probable will be recoverable.

*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.

Each 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 measured based on Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) contribution.

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



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

*Operating segment information*

<b>Group – 30 June 2018</b>	<b>Mining Services &amp; Processing \$'000</b>	<b>Mining \$'000</b>	<b>Central \$'000</b>	<b>Inter- segment \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>					
External sales	343,554	1,280,852	25	-	1,624,431
Intersegment sales	721,623	-	-	(721,623)	-
<b>Total revenue</b>	<u>1,065,177</u>	<u>1,280,852</u>	<u>25</u>	<u>(721,623)</u>	<u>1,624,431</u>
Other income	3,915	763	77,558	-	82,236
Expenses	(809,245)	(1,033,178)	(7,604)	718,537	(1,131,490)
<b>Earnings before interest, tax, depreciation and amortisation</b>	<u>259,847</u>	<u>248,437</u>	<u>69,979</u>	<u>(3,086)</u>	<u>575,177</u>
Depreciation and amortisation	(66,669)	(44,536)	(1,671)	-	(112,876)
Impairment charges	(8,817)	(53,277)	(3,271)	-	(65,365)
Interest income	12	322	3,932	(883)	3,383
Finance costs	(4,055)	(1,421)	(5,497)	883	(10,090)
<b>Profit before tax</b>	<u>180,318</u>	<u>149,525</u>	<u>63,472</u>	<u>(3,086)</u>	<u>390,229</u>
Income tax					(118,381)
<b>Profit after tax for the year</b>					<u>271,848</u>
<b>Assets</b>					
Segment assets	<u>982,414</u>	<u>758,869</u>	<u>354,498</u>	<u>(10,446)</u>	<u>2,085,335</u>
<b>Liabilities</b>					
Segment liabilities	<u>378,286</u>	<u>227,106</u>	<u>175,377</u>	<u>-</u>	<u>780,769</u>

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

<b>Group – 30 June 2017</b>	<b>Mining Services &amp; Processing \$'000</b>	<b>Mining \$'000</b>	<b>Central \$'000</b>	<b>Inter- segment \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>					
External sales	349,875	1,058,117	50,000	-	1,457,992
Intersegment sales	325,890	-	-	(325,890)	-
<b>Total revenue</b>	<u>675,765</u>	<u>1,058,117</u>	<u>50,000</u>	<u>(325,890)</u>	<u>1,457,992</u>
Other income	3,884	2,083	6,031	-	11,998
Expenses	(483,663)	(800,709)	(34,547)	322,381	(996,538)
<b>Earnings before interest, tax, depreciation and amortisation</b>	<u>195,986</u>	<u>259,491</u>	<u>21,484</u>	<u>(3,509)</u>	<u>473,452</u>
Depreciation and amortisation	(70,622)	(88,492)	(1,115)	-	(160,229)
Impairment charges	(817)	-	(15,902)	-	(16,719)
Interest income	-	170	4,111	(608)	3,673
Finance costs	(3,446)	(1,580)	(7,313)	608	(11,731)
<b>Profit/(loss) before tax</b>	<u>121,101</u>	<u>169,589</u>	<u>1,265</u>	<u>(3,509)</u>	<u>288,446</u>
Income tax					(87,481)
<b>Profit after tax for the year</b>					<u>200,965</u>
<b>Assets</b>					
Segment assets	<u>658,349</u>	<u>748,639</u>	<u>434,871</u>	<u>(7,347)</u>	<u>1,834,512</u>
<b>Liabilities</b>					
Segment liabilities	<u>196,122</u>	<u>284,949</u>	<u>221,349</u>	<u>-</u>	<u>702,420</u>

*Geographical information*

	<b>Sales to external customers</b>		<b>Geographical non-current assets</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Australia	343,770	416,020	1,406,318	1,118,557
China	1,178,279	651,727	-	-
Singapore	82,913	365,717	-	-
Others	19,469	24,528	-	-
	<u>1,624,431</u>	<u>1,457,992</u>	<u>1,406,318</u>	<u>1,118,557</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*

During the year ended 30 June 2018, revenues arising from the Mining segment of \$163,709,000 being 10.1% of total external revenues, were derived from the Group's largest customer. No other single customer contributed 10% or more to the Group's revenue for the year.

During the year ended 30 June 2017, revenues arising from the Mining segment of \$228,102,000, being 15.6% of total external revenues, were derived from the Group's largest customer. No other single customer contributed 10% or more to the Group's revenue for the year.

**Mineral Resources Limited**  
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**Note 4. Revenue**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Contract and operational revenue	752,622	922,762
Sale of goods	867,411	534,010
Equipment rental	4,398	1,220
	<u>1,624,431</u>	<u>1,457,992</u>
Revenue	<u><u>1,624,431</u></u>	<u><u>1,457,992</u></u>

**Note 5. Other income**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Net fair value gain on investments held at fair value through profit or loss	60,064	-
Gain on bargain purchase	9,173	-
Net gain on disposal of property, plant and equipment	4,125	3,500
Net gain on disposal of investments	-	6,047
Share of losses of associates accounted for using the equity method	-	(389)
Interest income	3,383	3,673
Other	8,874	2,840
	<u>85,619</u>	<u>15,671</u>
Other income	<u><u>85,619</u></u>	<u><u>15,671</u></u>

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**Note 6. Expenses**

	<b>Group</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Profit before tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and Equipment	88,201	105,285
Depreciation capitalised to assets	(641)	(1,258)
Total depreciation	87,560	104,027
<i>Amortisation</i>		
Mine development	22,539	44,704
Access rights	1,921	5,532
Others	856	5,966
Total amortisation	25,316	56,202
Total depreciation and amortisation	112,876	160,229
<i>Impairment</i>		
Exploration and mine development (note 18)	16,842	10
Intangibles (note 18)	15,263	-
Property, plant and equipment (note 18)	6,500	-
Trade receivables	-	3,856
Investments	3,270	15,902
Inventory (note 18)	23,490	(3,049)
Total impairment	65,365	16,719
<i>Finance costs</i>		
Interest and finance charges paid/payable	10,090	11,731
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	4,346	4,468

**Note 7. Income tax**

**(a) Income tax expense**

	<b>Group</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<i>Income tax expense</i>		
Current tax	78,828	89,601
Deferred tax - origination and reversal of temporary differences	33,611	(9,475)
Adjustment recognised for prior periods	5,942	7,355
	<u>118,381</u>	<u>87,481</u>
Aggregate income tax expense		
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets (note 7(b))	15,772	(20,385)
Increase in deferred tax liabilities (note 7 (c))	17,839	10,910
	<u>33,611</u>	<u>(9,475)</u>
Deferred tax - origination and reversal of temporary differences		
	<u>33,611</u>	<u>(9,475)</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before tax	390,229	288,446
Tax at the statutory tax rate of 30%	117,069	86,534
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non allowable expenses	2,736	1,822
Non assessable income	(2,752)	-
Research and development concessions	(5,100)	(3,148)
	<u>111,953</u>	<u>85,208</u>
Adjustment recognised for prior periods	5,942	7,355
Current year tax losses not recognised	486	377
Prior year tax losses not recognised now recouped	-	(5,459)
	<u>118,381</u>	<u>87,481</u>
Income tax expense		
	<u>118,381</u>	<u>87,481</u>

	<b>Group</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<i>Amounts charged/(credited) directly to equity</i>		
Deferred tax assets (note 7(b))	(290)	290
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	29,967	28,345
Potential tax benefit @ 30%	8,990	8,504

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.

**Note 7. Income tax (continued)**

**(b) Deferred tax asset**

	<b>Group</b>	
	<b>2018</b>	<b>2017</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	-	2,899
Impairment of receivables	1,258	2,695
Impairment of financial assets	-	5,901
Employee benefits	12,567	5,762
Provisions	21,599	28,542
Borrowings	-	400
Unrealised foreign exchange loss	428	4,289
Other	2,232	1,192
Deferred tax asset	<u>38,084</u>	<u>51,680</u>
<i>Movements:</i>		
Opening balance	51,680	33,297
(Charged)/credited to profit or loss (note 7(a))	(15,772)	20,385
Credited/(charged) to equity (note 7(a))	290	(290)
Additions through business combinations	-	200
Under/(over) provision from prior year	1,886	(1,912)
Closing balance	<u>38,084</u>	<u>51,680</u>

**(c) Deferred tax liability**

	<b>Group</b>	
	<b>2018</b>	<b>2017</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	3,791	6,264
Property, plant and equipment	97,828	80,597
Exploration and evaluation	36,401	37,728
Research and development	17,010	17,099
Financial assets	10,257	-
Other	449	1,119
Deferred tax liability	<u>165,736</u>	<u>142,807</u>
<i>Movements:</i>		
Opening balance	142,807	124,445
Charged to profit or loss (note 7(a))	17,839	10,910
Additions through business combinations	-	53
Under-provision from prior year	5,090	7,399
Closing balance	<u>165,736</u>	<u>142,807</u>

**Note 8. Earnings per share**

	<b>Group</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Profit after tax attributable to the owners of Mineral Resources Limited	<u>272,498</u>	<u>201,408</u>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>187,535,933</u>	<u>187,079,082</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>187,535,933</u>	<u>187,079,082</u>
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	145.30	107.66
Diluted earnings per share	145.30	107.66

**Note 9. Current assets - cash and cash equivalents**

**(a) Cash and cash equivalents**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank and on hand	240,406	378,169

**(b) Cash flow information - Reconciliation of profit after tax for the year to net cash from operating activities**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit after tax for the year	271,848	200,965
Adjustments for:		
Depreciation and amortisation	112,876	160,229
Share-based payments	799	3,453
Foreign exchange differences	1,428	12,722
Impairment loss	65,365	16,719
Net gain on disposal of property, plant and equipment	(4,125)	(3,500)
Net gain on disposal of financial assets	-	(6,047)
Non cash income	-	(50,000)
Fair value gain on investments held at fair value through profit or loss	(60,064)	-
Gain on bargain purchase	(9,173)	-
Other non-cash transactions	827	470
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(15,715)	10,797
Increase in inventories	(39,236)	(36,700)
Decrease/(increase) in deferred tax assets	13,886	(18,802)
Increase in other operating assets	(5,503)	(3,711)
Increase/(decrease) in trade and other payables	108,384	(24,261)
(Decrease)/increase in provision for income tax	(39,770)	9,785
Increase in deferred tax liabilities	22,928	18,240
(Decrease)/increase in other provisions	(13,327)	5,170
Net cash from operating activities	411,428	295,529

**Note 10. Current assets - trade and other receivables**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	95,084	79,805
Receivables from joint operation	6,754	13,508
	101,838	93,313



**Note 10. Current assets - trade and other receivables (continued)**

**(a) Construction contracts in progress**

Included in the trade and other receivables is amounts due from customers in relation to construction contracts of \$nil.  
(2017: \$2,857,000)

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Construction contracts</i>		
Contract costs incurred to date and profit recognised to date	1,613	204,563
Less: progress billings received and receivable	(1,613)	(201,883)
Net construction work in progress	-	2,680
Representing:		
Amounts due from customers included in trade receivables	-	2,857
Amounts due to customers included in trade and other payables (note 19)	-	(177)
	-	2,680

**(b) Credit and market risks, and impairment losses**

Information about the Group's exposure to credit risks and impairment losses for trade and other receivables is included in Note 25(d).

**Note 11. Current assets - inventories**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Raw materials and stores	14,369	9,130
Ore inventory stockpiles	102,380	90,622
Work in progress	15,440	16,691
	132,189	116,443

**Note 12. Current assets - other**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments	11,435	5,971
Other current assets	3,096	138
	14,531	6,109

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

	Group	
	2018 \$'000	2017 \$'000
Loan receivable	-	15,085
Security deposits	250	265
	<u>250</u>	<u>15,350</u>

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

**Note 14. Non-current assets - financial assets**

	Group	
	2018 \$'000	2017 \$'000
Shares in listed corporations - at fair value through profit or loss	114,113	54,890
Investment in unlisted company - at fair value through profit or loss	4,000	-
	<u>118,113</u>	<u>54,890</u>

*Reconciliation*

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

Opening fair value	54,890	8,362
Additions	16,192	69,576
Revaluation	60,064	965
Impairment of assets	(3,270)	(15,902)
Disposals	<u>(9,763)</u>	<u>(8,111)</u>
Closing fair value	<u>118,113</u>	<u>54,890</u>

Refer to note 26 for further information on fair value measurement.

**Note 15. Non-current assets - property, plant and equipment**

	<b>Group</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Land - cost	14,399	14,399
Buildings - cost	12,467	18,868
Less: Accumulated depreciation	(1,756)	(1,701)
	10,711	17,167
Plant and equipment financed - cost	243,893	172,934
Less: Accumulated depreciation and impairment	(57,313)	(32,263)
	186,580	140,671
Plant and equipment - cost	1,178,894	951,882
Less: Accumulated depreciation and impairment	(418,053)	(400,387)
	760,841	551,495
	<u>972,531</u>	<u>723,732</u>

*Reconciliations*

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

<b>Group</b>	<b>Land \$'000</b>	<b>Building \$'000</b>	<b>Plant and equipment financed \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2016	13,319	9,822	119,038	541,366	683,545
Additions	-	7,584	42,418	123,644	173,646
Additions through business combinations	1,080	424	1,161	9,823	12,488
Disposals	-	-	(875)	(19,276)	(20,151)
Transfers	-	(14)	(153)	(21,602)	(21,769)
Depreciation expense	-	(649)	(20,918)	(82,460)	(104,027)
Balance at 30 June 2017	14,399	17,167	140,671	551,495	723,732
Additions	-	-	71,611	267,844	339,455
Additions through business combinations (note 30)	-	975	-	12,500	13,475
Disposals	-	-	(181)	(3,372)	(3,553)
Impairment of assets	-	-	-	(6,500)	(6,500)
Transfers	-	(6,985)	716	(249)	(6,518)
Depreciation expense	-	(446)	(26,237)	(60,877)	(87,560)
Balance at 30 June 2018	<u>14,399</u>	<u>10,711</u>	<u>186,580</u>	<u>760,841</u>	<u>972,531</u>

*Property, plant and equipment secured under finance leases*

Refer to note 28 for further information on property, plant and equipment secured under finance leases.

*Impairment testing*

Refer to note 18 for details of impairment testing.

**Note 16. Non-current assets - intangibles**

	<b>Group</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Goodwill - cost	1,418	16,681
Development - at cost	40,105	29,209
Patents - cost	1,750	1,750
Access rights - cost	56,717	56,717
Less: Accumulated amortisation and impairment	(31,864)	(29,943)
	24,853	26,774
Others - cost	2,882	2,073
Less: Accumulated amortisation	(1,706)	(848)
	1,176	1,225
	<u>69,302</u>	<u>75,639</u>

*Reconciliations*

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

<b>Group</b>	<b>Goodwill \$'000</b>	<b>Capitalised development costs \$'000</b>	<b>Patents \$'000</b>	<b>Access rights \$'000</b>	<b>Others \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2016	10,235	4,903	1,750	32,306	35	49,229
Additions	6,446	10,596	-	-	7,156	24,198
Transfers in	-	13,710	-	-	-	13,710
Amortisation expense	-	-	-	(5,532)	(5,966)	(11,498)
Balance at 30 June 2017	16,681	29,209	1,750	26,774	1,225	75,639
Additions	-	10,896	-	-	807	11,703
Impairment of assets	(15,263)	-	-	-	-	(15,263)
Amortisation expense	-	-	-	(1,921)	(856)	(2,777)
Balance at 30 June 2018	<u>1,418</u>	<u>40,105</u>	<u>1,750</u>	<u>24,853</u>	<u>1,176</u>	<u>69,302</u>

*Allocation of goodwill to cash-generating units*

Goodwill has been allocated for impairment testing purposes to the following cash-generating units or groups of cash-generating units:

	<b>Group</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
PIHA Pty Ltd	-	8,817
Process Minerals International Pty Ltd	1,418	1,418
Road haulage - mine operations	-	6,446
	<u>1,418</u>	<u>16,681</u>

*Impairment testing*

Refer to note 18 for details of impairment testing.

**Note 17. Non-current assets - exploration and mine development**

	<b>Group</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Exploration and evaluation	128,905	131,510
Mine development	328,209	257,768
Less: Accumulated amortisation	(92,630)	(70,091)
	<u>235,579</u>	<u>187,677</u>
	<u><u>364,484</u></u>	<u><u>319,187</u></u>

*Reconciliations*

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

<b>Group</b>	<b>Exploration and evaluation \$'000</b>	<b>Mine development \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2016	152,752	90,047	242,799
Additions	81,778	41,796	123,574
Reassessment of rehabilitation	(6,498)	4,016	(2,482)
Transfers	(96,522)	96,522	-
Amortisation expense	-	(44,704)	(44,704)
Balance at 30 June 2017	131,510	187,677	319,187
Additions	2,876	66,920	69,796
Additions through business combinations (note 30)	10,274	6,000	16,274
Impairment of assets	(12,476)	(4,366)	(16,842)
Reassessment of rehabilitation	-	(3,361)	(3,361)
Transfers	(3,279)	5,248	1,969
Amortisation expense	-	(22,539)	(22,539)
Balance at 30 June 2018	<u><u>128,905</u></u>	<u><u>235,579</u></u>	<u><u>364,484</u></u>

*Impairment testing*

Refer to note 18 for details of impairment testing.

**Note 18. Impairment of non-financial assets**

**Impairment testing of cash generating units that are significant individually or in aggregate**

If the asset does not generate independent cash inflows and its value in use cannot be estimated to be close to its fair value, the asset is tested for impairment as part of the cash generating unit (CGU) to which it belongs. The recoverable amount of each CGU is determined based on the higher of an asset's fair value less costs of disposal (FVLCD) and value-in-use.

**Recognised impairment**

During the year, impairment expenses were recognized in the following CGUs:

*PIHA Pty Ltd (PIHA)*

PIHA's returns has continued to deteriorate following the decline in the construction and installation of new pipeline projects. Despite efforts to restructure the PIHA business and reduce its cost base, PIHA's profitability has continued to decrease. As a result, management decided to discontinue the PIHA brand and operations in June 2018 and recognise an impairment expense of \$8,817,000 in respect of PIHA's goodwill.

**Note 18. Impairment of non-financial assets (continued)**

*Road haulage – mine operations*

The goodwill associated with road haulage – mine operations arose on the acquisition of Mineral Resources Transport Pty Ltd (MRT Pty Ltd) in July 2016. An impairment assessment was performed on the Road Haulage – mine operations CGU at the half year ended 31 December 2017 following the announcement of the government's decision not to grant approval to allow the Company to mine at J5 and Bungalbin East, which was considered an indicator of impairment for the CGU.

The carrying value of the goodwill was deemed to exceed its recoverable amount following the change in probability of utilising MRT Pty Ltd's road haulage operation. As a result of this analysis, management recognised an impairment on goodwill of \$6,446,000.

*Yilgarn*

An impairment assessment was performed at the half year ended 31 December 2017 on the Yilgarn CGU following the announcement of the State Government's decision not to grant approval to allow the Company to mine at J5 and Bungalbin East, which was considered an indicator of impairment for the ore stockpiles, exploration and mine development assets and infrastructure associated with the Yilgarn project.

Management updated its impairment assessment for the year ended 30 June 2018 due to impairment indicators, being the State Government's decision remaining in place as well as the increasing discounts on low grade iron ore. The impairment assessment conducted resulted in no further impairment charge on the assets relating to the Yilgarn project over and above those recognised in the half year to 31 December 2017, being:

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

**Key assumptions used in the cash flow projections and sensitivity to changes in assumptions**

Key assumptions contained in the cash flow projections are market based commodity prices and foreign exchange assumptions, future production levels, operating costs and future capital expenditure. The cash flows are discounted using a real pre-tax discount rate of 9.98%, representing the target weighted average cost of capital for the Group, with appropriate adjustments made to reflect the risks specific to the cash generating unit. The terminal value calculation incorporates a nominal growth rate of 2.5% in line with externally sourced forward consensus rates.

The estimation of the future production driving the cash flow projections 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 are externally sourced, forward consensus prices, adjusted for ore properties. Exchange rates are externally sourced forward consensus rates.

Management believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed its recoverable amount.

**Note 19. Trade and other payables**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Trade payables and accruals	261,571	164,150
Amounts due to customers for contract work	-	177
	<u>261,571</u>	<u>164,327</u>

Refer to note 25 for further information on financial instruments.

**Note 20. Borrowings**

	<b>Group</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<i>Secured</i>		
Bank loans (Syndicated Financing Loan Facility)	-	150,000
Lease liability	57,102	44,943
<i>Unsecured</i>		
Payable to joint operation partners	6,750	13,500
Total current	<u>63,852</u>	<u>208,443</u>
<i>Secured</i>		
Bank loans (Syndicated Financing Loan Facility) (i)	100,000	-
Lease liability	75,437	66,218
Total non-current	<u>175,437</u>	<u>66,218</u>

- (i) Subsequent to 30 June 2018 the Group arranged a \$450 million increase in available bank loans – refer note 37 for further details.

*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 Resources (Equipment) Pty Ltd and Wodgina Lithium 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 and revert to the lessor in the event of default.

The interest rate for the bank loan is charged at BBSY plus a margin of 1.6% (2017: 1.6%), which totals 3.33% per annum as at 30 June 2018 (2017: 3.29%). The average interest rate for the hire purchase is 3.82% (2017: 4.33%).

Refer to note 25 for further information on financial instruments.

**Note 21. Employee benefits**

	<b>Group</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Employee benefits	<u>42,176</u>	<u>32,417</u>

Provision for employee benefits includes the Group's liability for long service leave, annual leave and employee incentives. The current provision includes amounts for vested long service leave for which the Group does not have an unconditional right to defer settlement, regardless of when the actual settlement is expected to occur. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

**Note 22. Provisions**

	<b>Group</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Warranties (i)	240	10,480
Project closure (ii)	4,523	4,367
Site rehabilitation (iii)	2,352	4,417
Total current	<u>7,115</u>	<u>19,264</u>
Project closure (ii)	5,817	3,410
Site rehabilitation (iii)	59,065	59,371
Total non-current	<u>64,882</u>	<u>62,781</u>

*(i) 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.

*(ii) 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. The provision is measured as the present value of future cash flows estimated to be required to settle project closure obligations. 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.

*(iii) Site Rehabilitation*

The provision for site rehabilitation relates to estimated costs for work required to rehabilitate a mine site and associated infrastructure to its original condition. The provision is measured as the present value of future cash flows estimated to be required to settle site rehabilitation obligations. The obligation is expected to materialise at the end of the mine's life.

*Movements in provisions*

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

<b>Group - 2018</b>	<b>Warranties \$'000</b>	<b>Project Closure \$'000</b>	<b>Site Rehabilitation \$'000</b>
Carrying amount at the start of the year	10,480	7,777	63,788
Additional provisions recognised	(10,240)	2,563	1,307
Additional provisions arising from business combination (note 30)	-	-	6,000
Amounts used	-	-	(5,262)
Unwinding of discount	-	-	640
Unused amounts reversed	-	-	(5,056)
Carrying amount at the end of the year	<u>240</u>	<u>10,340</u>	<u>61,417</u>



**Mineral Resources Limited**  
**Notes to the financial statements**  
**30 June 2018**

**Note 23. Equity - issued capital**

	<b>Group</b>			
	<b>2018 Shares</b>	<b>2017 Shares</b>	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Ordinary shares	187,397,192	186,813,501	514,413	507,920
Treasury shares	304,559	516,695	(3,225)	(5,472)
	<u>187,701,751</u>	<u>187,330,196</u>	<u>511,188</u>	<u>502,448</u>

*Movements in issued capital*

<b>Details</b>	<b>Ordinary shares Number</b>	<b>Treasury shares Number</b>	<b>Total Number</b>
Balance at 1 July 2016	186,829,800	-	186,829,800
Share issued for dividend reinvestment	500,396	-	500,396
Share buy-back	(516,695)	516,695	-
Balance at 30 June 2017	186,813,501	516,695	187,330,196
Share issued for dividend reinvestment	371,555	-	371,555
Employee share options exercised	212,136	(212,136)	-
Balance at 30 June 2018	<u>187,397,192</u>	<u>304,559</u>	<u>187,701,751</u>

<b>Details</b>	<b>Ordinary shares \$'000</b>	<b>Treasury shares \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2016	502,353	-	502,353
Share issued for dividend reinvestment	5,567	-	5,567
Share buy-back	-	(5,472)	(5,472)
Balance at 30 June 2017	507,920	(5,472)	502,448
Share issued for dividend reinvestment	6,493	-	6,493
Employee share options exercised	-	2,247	2,247
Balance at 30 June 2018	<u>514,413</u>	<u>(3,225)</u>	<u>511,188</u>

*Ordinary shares*

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

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.

*Treasury shares*

Movements in treasury shares represent acquisition of the Company's shares on market and allocation of shares to the Company's employees from the vesting of awards and exercise of rights under the employee share-based payment plans.

**Note 24. Equity - dividends**

*Dividends*

	<b>2018</b>		<b>2017</b>	
	<b>Dividend per share Cents</b>	<b>Total \$'000</b>	<b>Dividend per share Cents</b>	<b>Total \$'000</b>
<b>Declared and paid during the year</b>				
Final franked dividend for the year ended 30 June 2017 (2017: 30 June 2016)	33.00	61,706	21.00	39,235
Interim franked dividend for the year ended 30 June 2018 (2017: 30 June 2017)	25.00	46,796	21.00	39,278
	<u>58.00</u>	<u>108,502</u>	<u>42.00</u>	<u>78,513</u>
<b>Proposed</b>				
Final franked dividend for the year ended 30 June 2018 (2017: 30 June 2017)	40.00	74,959	33.00	61,819

*Franking credits*

	<b>Group</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>211,286</u>	<u>136,468</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 25. Financial instruments**

**(a) 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 Group 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 maximize 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 prior year.

**Note 25. Financial instruments (continued)**

The gearing ratio at the reporting date was as follows:

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Current liabilities - borrowings (note 20)	63,852	208,443
Non-current liabilities - borrowings (note 20)	175,437	66,218
Total borrowings	239,289	274,661
Current assets - cash and cash equivalents (note 9)	(240,406)	(378,169)
Cash and cash equivalents, net of debt	(1,117)	(103,508)
Total equity	1,304,566	1,132,092
Total capital	1,303,449	1,028,584
Gearing ratio (net debt over total equity)	-%	(10%)

**(b) 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 of Directors (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.

**(c) 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.

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

	<b>Assets</b>		<b>Liabilities</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Group</b>				
USD dollars	103,042	332,754	18,145	31,848

**Note 25. Financial instruments (continued)**

The Group had net assets denominated in foreign currencies of A\$84,897,000 (assets A\$103,042,000 less liabilities A\$18,145,000) as at 30 June 2018. (2017: A\$300,906,000 (assets A\$332,754,000 less liabilities A\$31,848,000)). Based on this exposure, had the Australian dollar weakened/strengthened by 5% (2017: 5%) against these foreign currencies with all other variables held constant, the Group's profit before tax for the year would have been lower/higher by \$4,245,000 (2017: A\$15,045,000).

*Commodity price risk*

The Group is exposed to commodity price risk which arises from the Group's sale of iron ore, lithium direct ship ore (DSO) and lithium spodumene concentrate at contracted and/or spot prices.

A portion of the Group's exposure to iron ore prices is hedged.

		2018		2017	
	Change in price %	Profit before tax Higher/(lower) \$'000	Equity Higher/(lower) \$'000	Profit before tax Higher/(lower) \$'000	Equity Higher/(lower) \$'000
Iron Ore	± 10%	62,433	62,433	92,125	92,125
Lithium DSO	± 10%	50,988	50,988	10,749	10,749
Lithium Spodumene	± 10%	14,476	14,476	6,177	6,177

*Equity price risk*

The Group's investment in listed equity securities are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Board reviews and approves all equity investment decisions.

At the reporting date, the Group's exposure to listed equity securities at fair value was \$114,113,000 (2017: \$54,890,000). A decrease of 10% on the share prices could have an impact of approximately \$11,411,000 (2017: \$5,489,000) on the profit or loss attributable to the Group, depending on whether the decline is significant or prolonged.

*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:

	2018		2017	
Group	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash and cash equivalents	1.44%	240,406	0.79%	378,169
Loan receivable	-	-	6.76%	15,085
Bank loans	3.33%	(100,000)	3.29%	(150,000)
Lease liabilities	3.82%	(132,539)	4.33%	(111,161)
Net exposure to cash flow interest rate risk		<u>7,867</u>		<u>132,093</u>

An analysis by remaining contractual maturities is shown in 'liquidity risk' note 25(e) 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 (2017: 100) basis points would have a favourable/adverse effect on the profit before tax of \$87,000 (2017: \$1,322,000) per annum.

**Note 25. Financial instruments (continued)**

**(d) Credit risk**

**Nature of the 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's exposure to financial position credit risk are as indicated by the carrying amounts of its financial assets, primarily from customer receivables from operating activities and deposits with financial instruments from financing activities. The Group does not have a significant exposure to any individual counterparty.

**Credit risk management: trade receivables and contract assets**

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 and obtains letters of credit to mitigate credit risk for commodity sales. The maximum exposure to credit risk at the reporting date to trade receivables and contract assets is the carrying amount, net of any allowances for credit losses, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are commodity sales, crushing services or other types of customer, and existence of previous financial difficulties.

At 30 June 2018, the exposure to credit risk for trade receivables and contract assets by type of counterparty was as follows.

	<b>Group 2018 \$'000</b>
Commodity sale customers	30,051
Crushing services customers	34,801
Other mining services	36,986
	<u>101,838</u>

At 30 June 2018, the carrying amount of the Group's most significant customer (a commodity sale customer) was \$14,067,000.

The Group uses an allowance matrix to measure the ECLs of trade receivables. A summary of the Group's exposure to credit risk and ECLs for trade receivables and contract assets is as follows.

	<b>2018 Gross \$'000</b>	<b>Loss \$'000</b>
Current (not past due)	88,098	-
1-30 days past due	12,419	-
31-60 days past due	109	-
61-90 days past due	-	-
More than 90 days past due	5,405	(4,193)
	<u>106,031</u>	<u>(4,193)</u>

**Note 25. Financial instruments (continued)**

*Movements in the allowance for impairment in respect of trade receivables and contract assets*  
Movements in the allowance for credit losses are as follows:

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	9,332	5,401
Additional provisions recognised	-	3,931
Receivables written off during the year as uncollectable	(5,139)	-
	<hr/>	<hr/>
Closing balance	<u>4,193</u>	<u>9,332</u>

The following contributed to the decrease in the loss allowance during 2018:

- One customer's account with a gross carrying amount of \$4,899,000 was written off against the loss allowance during the year ended 30 June 2018.

Comparative information under AASB 139

*Receivables past due but not impaired*

Customers with balances past due but without provision for impairment of receivables amount \$3,654,000 as at 30 June 2017.

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

	<b>Group</b>
	<b>2017</b>
	<b>\$'000</b>
61-90 days overdue	2,136
Over 90 days overdue	<hr/> 1,518
	<hr/> <u>3,654</u>

These relate to a number of independent customers for whom there is no recent history of default.

**Credit risk management: cash deposits and derivatives**

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

**Credit risk management: financial guarantees given to banks**

There is also exposure to credit risk when the Group provides a guarantee to another party. The Group's maximum exposure in this respect is the maximum amount the Group would have to pay if the guarantee is called on. Details of contingent liabilities are disclosed in note 27.

**(e) 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.

**Note 25. Financial instruments (continued)**

*Financing arrangements*

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

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Total facilities		
Bank overdraft	4,000	4,000
Bank loans	290,000	290,000
Bank guarantee	61,000	81,000
Lease liability	250,000	195,000
	<u>605,000</u>	<u>570,000</u>
Used at the reporting date		
Bank overdraft	-	-
Bank loans	100,000	150,000
Bank guarantee	19,387	29,672
Lease liability	132,539	111,161
	<u>251,926</u>	<u>290,833</u>
Unused at the reporting date		
Bank overdraft	4,000	4,000
Bank loans (i)	190,000	140,000
Bank guarantee	41,613	51,328
Lease liability	117,461	83,839
	<u>353,074</u>	<u>279,167</u>

- (i) Subsequent to 30 June 2018 the Group arranged a \$450 million increase in available bank loans – refer note 37 for further details.

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 3 years. (2017: 2 years).

*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>1 year or less</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Remaining contractual maturities</b>
<b>Group - 2018</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade payables	261,571	-	-	-	261,571
<i>Interest-bearing - variable</i>					
Bank loans (i)	-	-	100,000	-	100,000
Lease liability	57,102	41,294	34,143	-	132,539
Total non-derivatives	<u>318,673</u>	<u>41,294</u>	<u>134,143</u>	<u>-</u>	<u>494,110</u>

- (i) Relates to drawdowns under a Syndicated Loan Facility, maturing in December 2020. Drawdowns are currently staggered and are able to be either repaid, or subject to compliance with facility covenants, unconditionally rolled every 30 days.

**Note 25. Financial instruments (continued)**

Group - 2017	1 year or less \$'000	Between 1 and 2 years \$'000	Between 2 and 5 years \$'000	Over 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>					
<i>Non-interest bearing</i>					
Trade payables	164,327	-	-	-	164,327
<i>Interest-bearing - variable</i>					
Bank loans (i)	150,000	-	-	-	150,000
Lease liability	44,943	37,124	29,094	-	111,161
Total non-derivatives	359,270	37,124	29,094	-	425,488

- (i) Relates to drawdowns under a Syndicated Loan Facility, maturing in December 2017. Drawdowns are currently staggered and are able to be either repaid, or subject to compliance with facility covenants, unconditionally rolled every 30 days.

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.

**Note 26. 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 entity 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

Group - 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
Financial assets held at fair value through profit or loss	118,113	-	-	118,113
Total assets	118,113	-	-	118,113
<b>Group - 2017</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>				
Available-for-sale financial assets	54,890	-	-	54,890
Total assets	54,890	-	-	54,890

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

The Group's investments in equity instruments that are not held for trading are measured at fair value through profit or loss. 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.

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



**Note 26. Fair value measurement (continued)**

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 27. Contingent liabilities**

The Group has provided guarantee 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 from 12 to 18 months duration. Bank guarantees are issued as security for these obligations.

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank guarantee facility	61,000	81,000
Amount utilised	(19,387)	(29,672)
Unused facility	<u>41,613</u>	<u>51,328</u>

**Note 28. Commitments**

	<b>Group</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
<i>Capital commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	188,424	3,743
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	4,432	4,192
One to five years	5,259	8,880
	<u>9,691</u>	<u>13,072</u>
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	61,383	47,638
One to five years	78,510	69,729
	<u>139,893</u>	<u>117,367</u>
Total commitment	(7,354)	(6,206)
Less: Future finance charges		
	<u>132,539</u>	<u>111,161</u>
Net commitment recognised as liabilities		
Representing:		
Lease liability - current (note 20)	57,102	44,943
Lease liability - non-current (note 20)	75,437	66,218
	<u>132,539</u>	<u>111,161</u>
<i>Exploration expenditure commitments</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	5,037	8,105
One to five years	23,054	37,855
	<u>28,091</u>	<u>45,960</u>

Operating lease commitments includes contracted amounts for various retail outlets, 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.

Finance lease commitments includes contracted amounts for various plant and equipment with written down value of \$186,580,000 (2017: \$140,671,000) secured under finance leases expiring within one to five years. Under the terms of the leases, the Group has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

**Note 29. 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>2018 \$'000</b>	<b>2017 \$'000</b>
Profit/(loss) after tax	144,254	(3,486)
Other comprehensive income	290	385
Total comprehensive income	144,544	(3,101)

*Statement of financial position*

	<b>Parent</b>	
	<b>2018 \$'000</b>	<b>2017 \$'000</b>
Total current assets	173,617	292,620
Total assets	558,951	552,001
Total current liabilities	37,430	194,814
Total liabilities	346,577	384,408
Net assets	<u>212,374</u>	<u>167,593</u>
Equity		
Issued capital	511,269	502,530
Reserves	-	(290)
Accumulated losses	(298,895)	(334,647)
Total equity	<u>212,374</u>	<u>167,593</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 2018 and 30 June 2017 other than as obligor under its syndicated financing facilities.

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2018 (2017: \$nil).

*Capital commitments - Property, plant and equipment*

The parent entity had capital commitments for property, plant and equipment of \$1,627,000 at as 30 June 2018 (2017: \$nil).

*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 2018**

**Note 30. Business combinations**

*Acquisition of Empire Oil Company (WA) Limited*

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

As at 30 June 2018, the acquisition accounting balances recognised are provisional due to ongoing work finalising valuations and tax-related matters which may affect acquisition accounting entries. The provisional fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition are:

	<b>\$'000</b>
<b>Assets</b>	
Receivables	606
Property, plant and equipment	13,475
Exploration and development assets	16,274
Total assets	<u>30,355</u>
<b>Liabilities</b>	
Provision for rehabilitation	(6,000)
Borrowings	(15,084)
Total liabilities	<u>(21,084)</u>
Provisional fair value of net identifiable assets acquired	<u>9,271</u>
Consideration paid	-
Non-controlling interests	<u>(98)</u>
<b>Gain on bargain purchase</b>	<u><u>9,173</u></u>

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

The gain on bargain purchase has been recognised as other income in the income statement for the year ended 30 June 2018.

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

Direct costs relating to the acquisition totalling \$466,000 have been recognised in other expenses in the income statement for the year ended 30 June 2018.

**Note 31. Interests in subsidiaries**

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2018 %	2017 %
Crushing Services International Pty Ltd	Australia	100.00%	100.00%
Mesa Minerals Limited	Australia	59.40%	59.40%
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%
MRL Rail Pty Ltd	Australia	100.00%	100.00%
MRL Asset Management Pty Ltd (previously Mineral Services Pty Ltd)	Australia	100.00%	100.00%
MIS Carbonart Pty Ltd	Australia	60.00%	60.00%
Mineral Resources Transport Pty Ltd	Australia	100.00%	100.00%
Wodgina Lithium Pty Ltd	Australia	100.00%	100.00%
Bulk Ore Shuttle Systems Pty Ltd	Australia	50.00%	-
Empire Oil Co (WA) Limited	New Zealand	100.00%	-
Cattamarra Farms Pty Ltd	Australia	90.00%	-

**Note 32. Interests in joint operations**

The Group has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications. Information relating to joint operations that are material to the Group are set out below:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2018 %	2017 %
Reed Industrial Minerals Pty Ltd	Australia	43.10%	43.10%

**Note 33. Related party transactions**

*Parent entity*

Mineral Resources Limited is the parent entity.

*Subsidiaries*

Interests in subsidiaries are set out in note 31.

*Joint operations*

Interests in joint operations are set out in note 32.

*Key Management Personnel*

Disclosures relating to key management personnel are set out in note 34 and the remuneration report included in the directors' report.

**Note 33. Related party transactions (continued)**

*Transactions with related parties*

The following transactions occurred with related parties

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Joint operation:</i>		
Certain services were provided to Reed Industrial Minerals Pty Ltd	155,329	130,997
<i>Key management personnel / directors' interests:</i>		
Properties from which the Group's operations are performed are rented from parties related to Chris Ellison and Peter Wade	(1,902)	(1,916)
Sale of equipment to Keneric Equipment Pty Ltd, a company related to Bob Gavranich	35	230
Purchase of goods / hire of equipment from Keneric Equipment Pty Ltd, a company related to Bob Gavranich	(7)	(14)

*Receivable from and payable to related parties*

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

	<b>Receivables</b>	<b>Payables</b>	<b>Group</b>	<b>Receivables</b>	<b>Payables</b>
	<b>2018</b>	<b>2018</b>		<b>2017</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
<i>Joint operation:</i>					
Trade receivables with / payables to Reed Industrial Minerals Pty Ltd	259	-		1,109	-
<i>Key Management Personnel / directors' interests:</i>					
Trade receivables from Keneric Equipment Pty Ltd, a company related to Bob Gavranich	-	-		230	-

*Loans to/from related parties*

	<b>Loans to</b>	<b>Loans from</b>	<b>Group</b>	<b>Loans to</b>	<b>Loans from</b>
	<b>related</b>	<b>related</b>		<b>related</b>	<b>related</b>
	<b>parties</b>	<b>parties</b>		<b>parties</b>	<b>parties</b>
	<b>2018</b>	<b>2018</b>		<b>2017</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>		<b>\$'000</b>	<b>\$'000</b>
<i>Joint operation:</i>					
Loan to Reed Industrial Minerals Pty Ltd	11,870	-		23,740	-
Loan from Neometals Limited, a joint operation partner	-	1,769		-	3,538
Loan from Ganfeng Lithium Co. Ltd., a joint operation partner	-	4,981		-	9,962

*Terms and conditions*

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

**Note 34. 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>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	5,768,247	6,833,276
Post-employment benefits	140,145	132,566
Share-based payments	5,737,500	6,518,257
	<u>11,645,892</u>	<u>13,484,099</u>

**Note 35. Share based payments**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Value of LTI remuneration granted</b>		
Key Management Personnel	5,737	5,696
Other Senior positions	2,180	2,962
	<u>7,917</u>	<u>8,658</u>

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
<b>Value of LTI remuneration vested (i)</b>		
Key Management Personnel	899	1,099
Other Senior positions	591	611
	<u>1,490</u>	<u>1,710</u>

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Value of LTI remuneration forfeited</b>		
Other senior positions	844	212

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Value of LTI remuneration subject to vesting conditions</b>		
Key Management Personnel	13,232	8,393
Other senior positions	5,539	4,794
	<u>18,771</u>	<u>13,187</u>

**Note 35. Share based payments (continued)**

(i) A total of 164,072 shares representing the third tranche of shares granted under the FY16 LTI scheme will be issued to KMP and other executives at an issue price of \$8.37 per share (the valuation established by the FY16 LTIP) for a value of \$1,373,113 on 16 August 2018.

A total of 270,097 shares representing the first tranche of shares granted under the FY17 LTI scheme will be issued to KMP and other executives at an issue price of \$10.01 per share (the valuation established by the FY17 LTIP) for a value of \$2,702,375 on 16 August 2018.

A summary of the LTI structure is set out below:

1. A single financial measure (ROIC) that reflects the generation of long term shareholder value is used to measure performance
2. LTI Program -
  - FY16: Vesting of awards equally (25% each year) over a period of 4 years, the first being the year of the grant (FY16) with FY16 LTI shares allocated to participants in August 2016.
  - FY17: Vesting awards equally (33.33% each year) over a period of 3 years, the first being one financial year after the year of the grant (i.e. FY19 for the FY17 grant) with vesting subject to the ongoing performance of the business above the minimum performance level for the duration of the scheme. Awards may be delayed or forfeited, depending on the ongoing business performance.
  - FY18 Subject to the performance hurdle being met, LTI shares will vest to the individual along with the corresponding dividends and voting rights, however shares that have vested remain subject to disposal restrictions preventing the individual from selling the vested shares until 38 months after the conclusion of the award year (that is, upon release of the full year financial results for the third financial year after the award year. For example, disposal restrictions on FY18 LTI shares will not be lifted until release of the full year financial results for FY21 expected to occur in August 2021).
3. Re-measurement / claw-back mechanisms – once an entitlement is granted, vesting will be dependent on continuing employment, and in the case of the FY17 and FY18 LTI, ongoing business performance in excess of minimum hurdles. The Board retains the right to withhold the vesting of individual tranches of granted rights depending on the Group performance and general economic conditions
4. Reward instruments – rights to MIN shares, with the basis for valuation being Volume Weighted Average Price (VWAP) at the time of entitlement, being the VWAP for the 5 ASX trading days before 30 June each year:
  - FY16: \$8.3689 per share
  - FY17: \$10.0052 per share
  - FY18: \$16.0594 per share.

Once the entitlement to a number of shares is set, the recipient has the opportunity to benefit from share price movement between the date of grant and date of vesting, supporting further positive correlation between LTI's granted and shareholder return

5. Participants do not have the right to hedge the value of unvested entitlements to shares
6. Benchmark ROIC of 12% for each period (i.e. each financial year)
7. ROIC base excludes cash balances, borrowings determined to be cash/cash equivalents and impairments in a particular year that reduce the net assets of the Group. Cash and cash equivalents balances are excluded as there is not an expectation that the Company holds cash with a view to achieving a return on this asset class
8. Reward entitlement matrix is dependent on ROIC achieved for the measurement period. An uplift is available for superior performance. LTI participants have an ability to exceed base entitlements based on the following matrix. The availability of an uplift in the award is in recognition of the difficulty of reaching the outstanding levels of performance (i.e. greater than 15% ROIC).



**Note 35. Share based payments (continued)**

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Expenses arising from share-based payment transactions</b>		
Key Management Personnel	5,737	5,696
Other senior positions	2,180	2,962
	<u>7,917</u>	<u>8,658</u>

**Note 36. Remuneration of auditors**

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

	<b>Group</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Audit services - RSM Australia Partners</i>		
Audit or review of the financial statements	453,140	314,600
<i>Other services - RSM Australia Partners</i>		
Taxation services	295,509	328,139
Other services	5,720	10,023
	<u>301,229</u>	<u>338,162</u>
	<u>754,369</u>	<u>652,762</u>

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

The following significant events have arisen since the end of the financial year.

*Dividend*

On 15 August 2018, the directors declared a final fully franked dividend for the year ended 30 June 2018 of 40.0c per share to be paid on 27 September 2018, a total estimated distribution of \$74,959,000 based on the number of ordinary shares on issue as at 15 August 2018.

*A\$450 million Term Bridge Loan Facility*

The Group has arranged an A\$450 million Term Bridge Loan Facility (TBLF) extension to its existing A\$290 million Syndicated Financing Loan Facility (SFLF). The TBLF, available from 7 August 2018, will provide bridging finance to facilitate the availability of funds for the construction of the Wodgina lithium spodumene plant. The TBLF has a termination date of 31 December 2019 and can be repaid partially or in full prior to that date. The TBLF facility has a margin of 2.18%, and the margin on any drawn portion of the SFLF increases to 2.18% for the duration that the TBLF is outstanding.

*Koolyanobbing*

On 13 June 2018 the Group announced that it had entered into a definitive agreement with Cleveland-Cliffs Inc. to acquire the assets that were used by its wholly owned subsidiary, Cliffs Asia Pacific Iron Ore Pty Ltd, to run its Koolyanobbing iron ore operation in the Yilgarn region of Western Australia. The Group is finalising negotiations and, at this stage, anticipates completion of the acquisition of the Koolyanobbing assets and commencement of production and export to occur in quarter one of FY19 with the MRL rail fleet allowing between 6 to 6.25 million tonnes to be hauled each year.

**Note 37. Events after the reporting period (continued)**

*Marillana*

On 27 July 2018, the Group announced that it had entered into a Farm-in and Joint Venture Agreement (FJVA) with Brockman Mining Limited (Brockman) that grants the Group the right to farm-in and earn a 50% interest in the Marillana iron ore project in the Pilbara. Part of the conditions precedent to the FJVA include the execution of a loan agreement in respect of an A\$10 million loan that the Group will make to Brockman with such loan being repayable by Brockman as a priority from proceeds it receives from the sale of its share of Marillana iron ore.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

**Mineral Resources Limited**  
**Directors' declaration**  
**30 June 2018**

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 2018 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



Chris Ellison  
Managing Director

15 August 2018  
Perth

**RSM Australia Partners**

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[www.rsm.com.au](http://www.rsm.com.au)**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF  
MINERAL RESOURCES LIMITED****Opinion**

We have audited the financial report of Mineral Resources Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

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## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed this matter
<b>Carrying Value of Mine Development Expenditure and Exploration Expenditure</b> Refer to Note 17 in the financial statements	
<p>The Group has mine development expenditure and exploration expenditure with a carrying value of \$235.579 million and \$128.905 million as at 30 June 2018 respectively. This was considered a key audit matter due to the significant management judgment involved in determining the appropriate accounting treatment. Areas of judgment include:</p> <ul style="list-style-type: none"> <li>• Application of the units of production method in determining the amortisation charge. This includes determining the appropriate ore reserve estimate and the cost allocation attributable to each mine development expenditure property;</li> <li>• Assessing whether any impairment indicators exist in relation to mine development expenditure and associated exploration expenditure which would require impairment testing to be performed;</li> <li>• Calculating the recoverable amount for the Yilgarn mine Cash Generating Unit ("CGU") and the Iron Valley mine CGU using a discounted cash flow model, as the directors have identified that impairment indicators exist at reporting date due to the volatility in commodity prices and exchange rates; and</li> <li>• Assessing the risk of impairment of these assets as a result of the government's decision not to grant approval to allow the Group to mine at J5 and Bungalbin East within the Yilgarn mine CGU. An impairment charge of \$16.842 million was recorded against these assets associated with the J5 and Bungalbin East areas of interest.</li> </ul>	<p>Our audit procedures in relation to the carrying value of mine development expenditure and exploration expenditure included:</p> <ul style="list-style-type: none"> <li>• Reviewing management's amortisation models, and agreeing key inputs to supporting information. This included an assessment of the work performed by management's expert in respect of the mine plan and the ore reserve estimate, including the competency of the expert;</li> <li>• Agreeing a sample of the additions to mine development expenditures during the year to supporting documentation to ensure that the amounts were capital in nature;</li> <li>• Critically assessing and evaluating management's assessment as to whether indicators of impairment existed;</li> <li>• Assessing the valuation methodology used in calculating the recoverable amount for the Yilgarn mine CGU and the Iron Valley mine CGU, reconciling input data to supporting evidence while challenging the reasonableness of key assumptions used;</li> <li>• Reviewing management's sensitivity analysis on key assumptions used in relation to the recoverable amount for the Yilgarn mine CGU and the Iron Valley mine CGU; and</li> <li>• Assessing the appropriateness of management's estimation of the impairment charge recorded against the J5 and Bungalbin East areas of interest.</li> </ul>
<b>Provision for Site Rehabilitation</b> Refer to Note 22 in the financial statements	
<p>As at 30 June 2018, the Group had a provision of \$61.417 million relating to its portion of the estimated future cost of rehabilitation and restoration of areas disturbed as a result of its mining operations.</p> <p>The provision for site rehabilitation was considered a key audit matter due to the materiality of the balance, the significant judgements and estimation uncertainty, and the complexity involved in the quantification of the liability.</p>	<p>Our audit procedures in relation to the provision for site rehabilitation included the following:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the process involved in the determination of the site rehabilitation liability;</li> <li>• Obtaining the calculations for the provision for site rehabilitation and verification of the methodology used to determine if the provision is in accordance with AASB 137 <i>Provisions, Contingent Liabilities and Contingent Assets</i>;</li> </ul>

	<ul style="list-style-type: none"> <li>• Reviewing the key assumptions used in the June 2018 calculations and agreeing them to evidence supporting the assumptions used; and</li> <li>• Assessing the appropriateness of the disclosures included in the Group financial statements in relation to the provision for site rehabilitation</li> </ul>
<b>Existence of Valuation of Inventory</b> Refer to Note 11 in the financial statements	
<p>The Group has inventory with a carrying value of \$132.189 million as at 30 June 2018. The existence and valuation of inventory is considered a key audit matter, due to the materiality of the balance and the significant judgments involved</p> <p>Areas of judgement include future estimates of iron ore and lithium ore prices, ore grades and allocation of processing costs.</p>	<p>Our audit procedures in relation to the existence and valuation of inventory included the following:</p> <ul style="list-style-type: none"> <li>• Verifying the ore stockpiles at reporting date by reviewing the survey reports provided and reconciling it to the inventory models;</li> <li>• Assessing the competence and objectivity of the management expert used to conduct the physical survey;</li> <li>• Reviewing and testing the methodology applied by management in the inventory models, including mathematical accuracy of the models, cost allocation and physical movement of the ore stockpiles;</li> <li>• Testing a sample of expenditure to supporting invoices or other documentation and confirmation of the validity of the amounts recorded in the accounting records; and</li> <li>• Testing the net realisable value by checking future ore prices used with market data and expected processing costs with actual costs incurred.</li> </ul>

## Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the Directors 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

## **Report on the Remuneration Report**

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included within the directors' report for the year ended 30 June 2018.

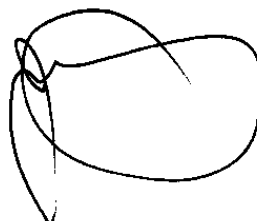
In our opinion, the Remuneration Report of Mineral Resources Limited, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

### *Responsibilities*

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.



RSM AUSTRALIA PARTNERS



JAMES KOMNINOS  
Partner

Perth, WA  
Dated: 15 August 2018