MINERAL RESOURCES

Mineral Resources Limited Annual Report 2019

Who We Are

Mineral Resources is an innovative and leading mining services company, with a growing world-class portfolio of mining operations across multiple commodities, including iron ore and lithium.

Vision

To be recognised as one of the great Australian companies and a leading provider of innovative and sustainable mining services.

Purpose

To provide innovative and low-cost solutions across the mining infrastructure supply chain, by operating with integrity and respect, working in partnership with our clients, our customers, our people and our community.

The Way We Work

We are One Team

- The safety and wellbeing of our people is at the forefront of all that we do
- We work together to achieve the best results for our people, clients and stakeholders
- We care for, respect and invest in our people, the environment and the communities in which we operate.

We are High Performing

- We achieve exceptional results through a disciplined and professional approach
- We plan and take ownership of our areas of responsibility
- We always deliver and that sets us apart.

We are Entrepreneurial

- We empower our people to challenge the status quo and actively explore new ideas and opportunities
- We look for better ways to mitigate risk, deliver on commitments and create long-term value
- We recognise, support and harness the diverse talents of our people and partners.

Contents

Front cover image: *Koolyanobbing iron ore operations*

ABOUT THIS REPORT

This annual report is a summary of Mineral Resources Limited's operations and financial results for the financial year ended 30 June 2019. All references to 'Mineral Resources', 'MRL', 'the Company', 'the Group', 'we', 'us' and 'our' refer to Mineral Resources Limited (ABN 33 118 549 910) and the entities it controlled, unless otherwise stated.

References in this report to a 'year' are to the financial year ended 30 June 2019 unless otherwise stated. All dollar figures are expressed in Australian dollars (AUD) unless otherwise stated. All references to 'Indigenous' people are intended to include Aboriginal and/or Torres Strait Islander people.

Chairman's Review

On behalf of the Board, it gives me great pleasure to present the Annual Report for the 2019 financial year.

This year has been the most significant in our Company's history, as we set MRL up for sustainable long-term growth.
I have spoken in the past of MRL's focus on 30 to 50-year business horizons, which underpins our daily business decisions. I am pleased to report that we have made great progress during the past year, notwithstanding the backdrop of significant global turbulence across capital and commodities markets.

MRL has achieved another year of strong profits and dividends despite volatility in the Company's key markets. Since listing on the ASX in 2006, we have delivered cumulative pre-tax profits of more than $2.1 billion, including $236 million per Income Statement this year, maintained our 50 per cent dividend policy, distributed over $802 million to our shareholders, and averaged earnings per share growth of 15 per cent per year. With our lithium expansion nearing completion, gross debt at year end was around $1.1 billion, or about 2.6 times normalised EBITDA, a level we are comfortable with.

Your Company reported a normalised Net Profit After Tax (NPAT) of $205 million, on revenue of $1.51 billion. Directors declared a fully-franked final dividend of 31 cents per share, for a full-year return of 44 cents per share. Since listing, the Company's consistently strong financial performance has delivered a cumulative dividend payout of $4.50 per share fully franked. The dividend payments and share price growth have delivered shareholders a Total Shareholder Return (TSR) of $18.58 since 2006.

This type of market outperformance can only be achieved through the combination of a first-rate team that puts the safety of its workforce first, a long-term strategy to drive shareholder returns, and a steadfast conviction to pursue our strategy when the going gets tough. Notwithstanding, a capital investment programme of almost $900 million – the largest in MRL's history – that included building world-class lithium concentrate plants at Wodgina and Mt Marion and required a 21% increase in total employees and contractors to 3,746, MRL's Lost Time Injury Frequency Rate (LTIFR) dropped to 0.12 per million hours worked. Every incident that endangers the safety of our workforce is one incident too many. I am pleased to confirm that our employees' wellbeing remains central to everything we do.

Taking a long-term view is not always easy, particularly in a capital markets world that relentlessly demands instant success. However, I am proud of the MRL leadership team's efforts to set up the foundations for the next phase in our Company's growth, based on our foundation competency of providing industry-leading mining services.

Operating in the resources sector comes with the inevitable challenges of the cyclical highs and lows of commodity prices. The past year proved no exception as lithium prices fell sharply after a flurry of new lithium concentrate supply overwhelmed the processing capacity of the world's battery makers. This was not unexpected and mirrored some of the hype – and then financial pain – that the iron ore market experienced earlier this decade.

As lithium prices fell, the iron ore price rallied. This enabled MRL to prioritise bringing more volumes from our WA operations into the market and we were able to capitalise on our decision the previous year to expand the Company's iron ore presence in the Yilgarn region.

One of MRL's core strengths has been our ability and agility to deal with the shifting sands of the resources sector. The landmark Wodgina transaction MRL entered into with Albemarle Corporation, a global leader in lithium products, is a case in point. In short, following constructive discussions and factoring in changing market conditions, Albemarle has agreed to become a 60 per cent partner in our largest lithium project, Wodgina. MRL will continue to provide various life-of-mine services contracts, while our Company will become a 40 per cent partner in Albemarle's under-construction, two-train Kemerton Lithium Hydroxide Project. On completion of the agreement, Albemarle will pay the Company US$820 million.

This arrangement with Albemarle, which remains subject to final regulatory approval, is an example of the pragmatic approach that MRL takes to fulfil its long-term vision and strategy – MRL gains fast-tracked access to high-priced lithium hydroxide volumes and retains the optionality of fully optimising Wodgina's potential when market conditions encourage us to do so. Most importantly, MRL has formed a close relationship with a company with strength in the marketing of lithium products.

This year, we continued our journey to understand and manage our material sustainability topics and enhance our sustainability performance. We undertook a thorough materiality review, assessing what matters to our business, our investors and our wider stakeholders, to determine what factors could influence our ability to create or sustain value. Each material topic is described in this report and outlines why the topic is important to MRL, what we are doing to manage it, our performance and future-looking initiatives.

MRL's leadership team, led by Managing Director Chris Ellison, has again worked tirelessly during the past year to deliver another tremendous outcome for shareholders. We are proud of the quality of our team and it is important for MRL's future success that we retain and build upon it.

We recognise that the issue of remuneration is important to our investors and, during the course of the year, have undertaken a comprehensive review of our remuneration practices. We have consulted externally with key stakeholders, including engagement with a number of investors, to ensure our pay practices are well understood but also reflect their views. One of the results was a decision by Managing Director Chris Ellison to reduce his base salary by 20 per cent from 1 July 2019.

MRL is fortunate to have a committed and fully-aligned group of Non-Executive Directors from diverse backgrounds, which makes for robust and value-adding discussions around the boardroom table. I speak on behalf of the Board when I say that we treat the guardianship of shareholders funds with the utmost seriousness.

Finally, I would like to thank all of our shareholders for their support during the past year. It has been challenging, but also exciting, and I am optimistic about our future.

We look forward to meeting with you at the AGM in November and to answer any questions you may have about performance, opportunities and our future growth strategies.

Yours Sincerely,

Peter Wade

Chairman

This year's results reflect our strategic decisions and a record capital investment of almost $900 million to lay the foundations for a business that will sustain us through the next 30 to 50 years with an industry-leading mining services division, world-class lithium assets and a regenerated iron ore business.

We have a very dedicated workforce of more than 3,700 employees and contractors. Their safety and wellbeing are at the heart of MRL's existence. Our Company can only prosper if our workforce is healthy and safe, which is why we continue to invest heavily in our workplace practices and the oneMRL culture.

This year, as we added 642 new people to the business, our Total Recordable Injury Frequency Rate (TRIFR) increased from 2.49 to 3.99 – still a good level for our industry and one any business would be proud of, though we are not, and remain very focussed on reducing it back to the levels of the past two years. It was pleasing, however, to see our Lost Time Injury Frequency Rate (LTIFR) fall by 24 per cent to 0.12. Our safety performance remains a work in progress and a commitment by our leadership team.

MRL's core mining services business is performing probably at its best levels ever. Our current order book is the strongest it has been and we have further diversified in terms of geography, client base and commodities.

Our client retention remains extremely high and we have not lost a contract during the past 12 months. The outlook is strong and we are confident of continuing the 15 per cent year-on-year growth we have been achieving on a regular basis.

Our track record allowed us to tap the North American debt markets for the first time this year with a successful US$700 million unsecured notes issue, which provides us with significant balance sheet flexibility over the next eight years.

Our record capital investment this year was focussed primarily on the Wodgina and Mt Marion lithium projects. Our strategy has been to invest to drive long-term income streams for the Company, building on the high-quality portfolio of mining services contracts that have been at the heart of MRL over the past 25 years.

We believe we have built one of the best and longest-life lithium portfolios in the world. The culmination was our deal with Albemarle Corporation to establish a Joint Venture at Wodgina and at Albemarle's Kemerton Lithium Hydroxide Project, which is currently under construction. This deal introduces a global leader in lithium to Wodgina and provides MRL with fast-tracked access to hydroxide production. MRL will own 40 per cent of this Joint Venture and receive US$820 million cash from Albemarle upon completion of the deal, which is expected by the end of 2019. Importantly, the deal upholds MRL's life-of-mine services contracts at Wodgina.

We are expecting to ship the first trial cargo of spodumene concentrate from Wodgina while we complete commissioning of the three processing trains. Mt Marion, which we operate in 50:50 partnership with our life-of-mine offtake customer Ganfeng, has been steady and consistent. Following the upgrade project, we will continue to work with Ganfeng to supply product that will meet customer requirements.

Our iron ore business faced challenges early on in the year as a result of heavy discounting, which impacted the financial performance due to lower realised sales revenue, before prices picked up in the second half. During the year, we re-established iron ore operations in the Yilgarn, in the Goldfields region of Western Australia, by working with the State Government and a range of other parties to re-open the Koolyanobbing project. Our first shipment of Koolyanobbing iron ore left Esperance Port in December 2018 and the project went on to perform well, with 3.2 million wet tonnes exported by year end. Koolyanobbing's run rate of 7.5 million tonnes a year is being increased to 11.5 million tonnes due to our confidence in the iron ore market. Iron Valley was again a solid performer and we progressed work on two new projects in the Pilbara – Marillana and Kumina. Since year end, we announced the acquisition of the Parker Range project in the Yilgarn to add to our iron ore growth pipeline.

It has been a busy year in our innovation division. We have begun work on a 15 million tonne per annum NextGen portable crusher, in partnership with Metso Minerals. Two 150-tonne dump trucks with our carbon fibre trays are operating at Koolyanobbing and performing well. The synthetic graphite pilot plant we developed at Kwinana successfully produced a trial run of 96% pure graphite, exceeding initial expectations. Our next step is to build a commercial-scale plant. Final design work on our Pilbara light rail continues and third-party verification and approvals are nearing completion.

In oil and gas, we are engaging with stakeholders in the Perth Basin, where we have an extensive onshore acreage position, ahead of plans to carry out seismic testing and then drilling activity. We remain committed to reducing our environmental footprint by lowering our carbon emissions and, where possible, we are focussed on displacing diesel with natural gas, LNG and utilising battery storage. We are exploring options for further use of solar.

We continued our work towards creating a more diverse workplace with the establishment of a Diversity and Inclusion Committee. The Committee is charged with focussing on identifying opportunities and practical solutions to ensure we provide equal opportunities for all to improve our employee attraction and retention efforts in areas where we are underrepresented.

The Company's consistently strong financial and operational performance is testament to the hard work and dedication of the MRL team. It has been an extremely busy, and in some ways a tough year, but our workforce has dealt with all challenges extremely well.
I thank them for their commitment and dedication to MRL and look forward to another year of strong performance.

Chris Ellison

Managing Director

MINERAL RESOURCES

Delivering a Decade of Strong Financial Returns

Financial Summary ($millions unless otherwise stated)	2009	2010	2011	2012 (1)	2013	2014	2015 (2)	2016	2017	2018	2019
Earnings											
Revenue	257	313	610	926	1,097	1,899	1,299	1,178	1,458	1,624	1,512
EBITDA	74	104	236	297	383	554	283	278	473	575	386
NPAT	44	97	150	177	180	231	78	(26)	201	272	165
Return on Revenue %	17%	31%	25%	19%	16%	12%	6%	(2%)	14%	17%	11%
Return on Equity %	31%	20%	24%	19%	18%	20%	7%	(3%)	18%	21%	12%
Diluted EPS (cents/share)	35.10	66.90	86.50	95.82	97.37	124.10	41.52	(13.31)	107.66	145.30	87.09
Balance Sheet											
Total Assets	289	845	970	1,436	1,804	1,858	1,592	1,618	1,835	2,085	3,161
Total Equity	145	486	628	917	1,018	1,139	1,082	1,008	1,132	1,305	1,380
Net tangible assets per share (cents/share)	108.33	274.78	344.91	454.80	508.04	574.95	543.82	513.18	563.95	658.10	688.68
Cash generation											
Operating Cash Flow	46	151	117	243	329	567	52	316	296	411	186
Net (Debt)/Cash	(12)	88	78	(111)	(310)	81	118	188	104	1	(897)
Market capitalisation											
Number of shares on issue (millions)	124	161	169	185	186	187	188	187	187	188	188
Share price at 30 June ($/share)	4.25	8.10	11.50	8.95	8.25	9.59	6.60	8.31	10.85	16.00	14.98
Market Capitalisation	528	1,306	1,945	1,654	1,534	1,789	1,238	1,553	2,033	3,003	2,818
Returns to shareholders											
Total Shareholder Return (cumulative) ($/share)[3]	3.71	7.74	11.43	9.31	9.07	11.03	8.44	10.38	13.34	19.07	18.58
Dividends declared (cents/share)	19.35	20.00	42.00	46.00	48.00	62.00	22.50	29.50	54.00	65.00	44.00

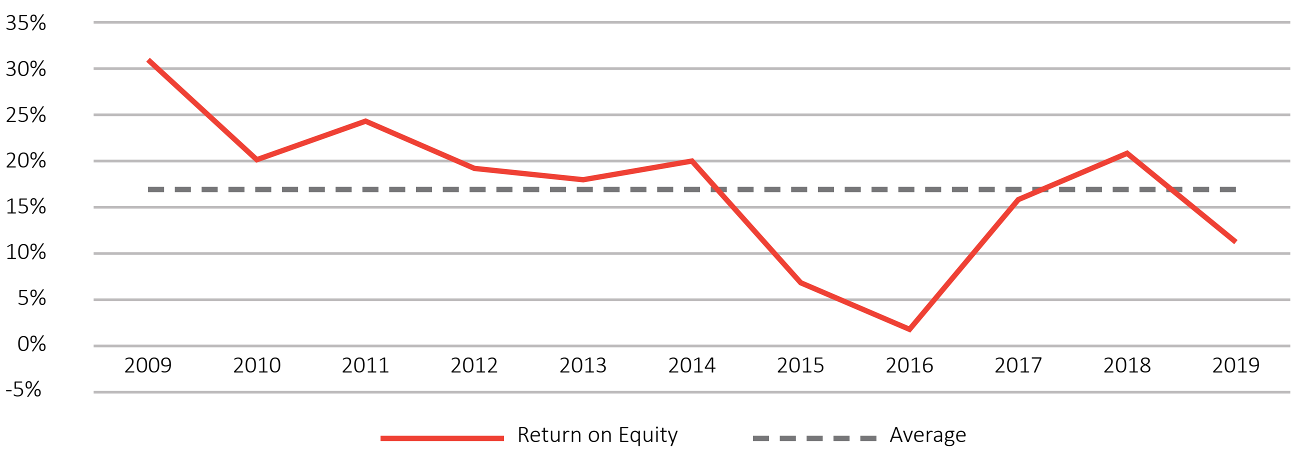
Notes:

(1) 2012 Financial Year NPAT and Earnings Per Share exclude the Deferred Tax Asset arising on the introduction of Minerals Resource Rent Tax (MRRT). NPAT for the 2012 Financial Year would be $242,239,000 and Diluted EPS 131.1c/share if the impact of MRRT were to be included.

(2) 2015 Financial Year NPAT and Earnings Per Share exclude the impact of the reversal of Deferred Tax Asset on the abolition of the Minerals Resource Rent Tax (MRRT). NPAT for the 2015 Financial Year would be $12,814,000 and Diluted EPS 6.85c/share if the impact of MRRT were to be included.

(3) Total Shareholder Return is calculated as the cumulative share price appreciation and dividends paid per share since listing.

Return on Equity (%)




JOEST

MRL's consistently strong performance is a testament to the hard work and dedication of our team.

The health and safety of our people is a key driver for us

3.99

Total Recordable Injury Frequency Rate
per million hours worked

0.12

Lost Time Injury Frequency Rate
per million hours worked

Year-on-year strong financial performance

Normalised EBITDA
$433m

Revenue
$1,512m

Normalised Net Profit After Tax
$205m

Creating value for our shareholders

Total dividends paid
$94m

Earnings per share growth
15%
Since IPO FY07-19

Total shareholder return
$18.58 per share
Since IPO FY07-19

Creating value for our community

We contributed
$1.99m
to our local communites

We continue to take action on climate change

Installed solar panels meant
635tCO_2e
less emissions

Using alternatives to diesel avoided
6,500tCO_2e
emissions

Creating jobs for Western Australia

We employ
3,700+
employees & contractors

Creating value for our economy

Taxes, royalties and other payments
$124m

Total wages & benefits paid
$265m

Exploration & Development

We target stranded tenements and partner with junior explorers, investing in exploration activity to discover new resources and develop the infrastructure to realise the value of the ore.

Mining Services

Open Pit Mining

We execute all stages of open pit mining including resource modelling, mine planning, drill and blast engineering, load and haulage.

Crushing

We offer a range of specialised contract crushing, screening, beneficiation and materials handling services.

Processing

We manage and operate the end-to-end recovery of ore.

Supply Chain Services

We manage pit-to-port logistics, including rail, road, port and remote aerodrome management.

Site Services

We own and manage our mine site accommodation villages.

Port Operations

We export our product to global markets via strategic port alliances throughout Western Australia.

Marketing & Shipping

Marketing and shipping is the link between our operations and our customers. We export iron ore and lithium to key Asian markets for global applications.

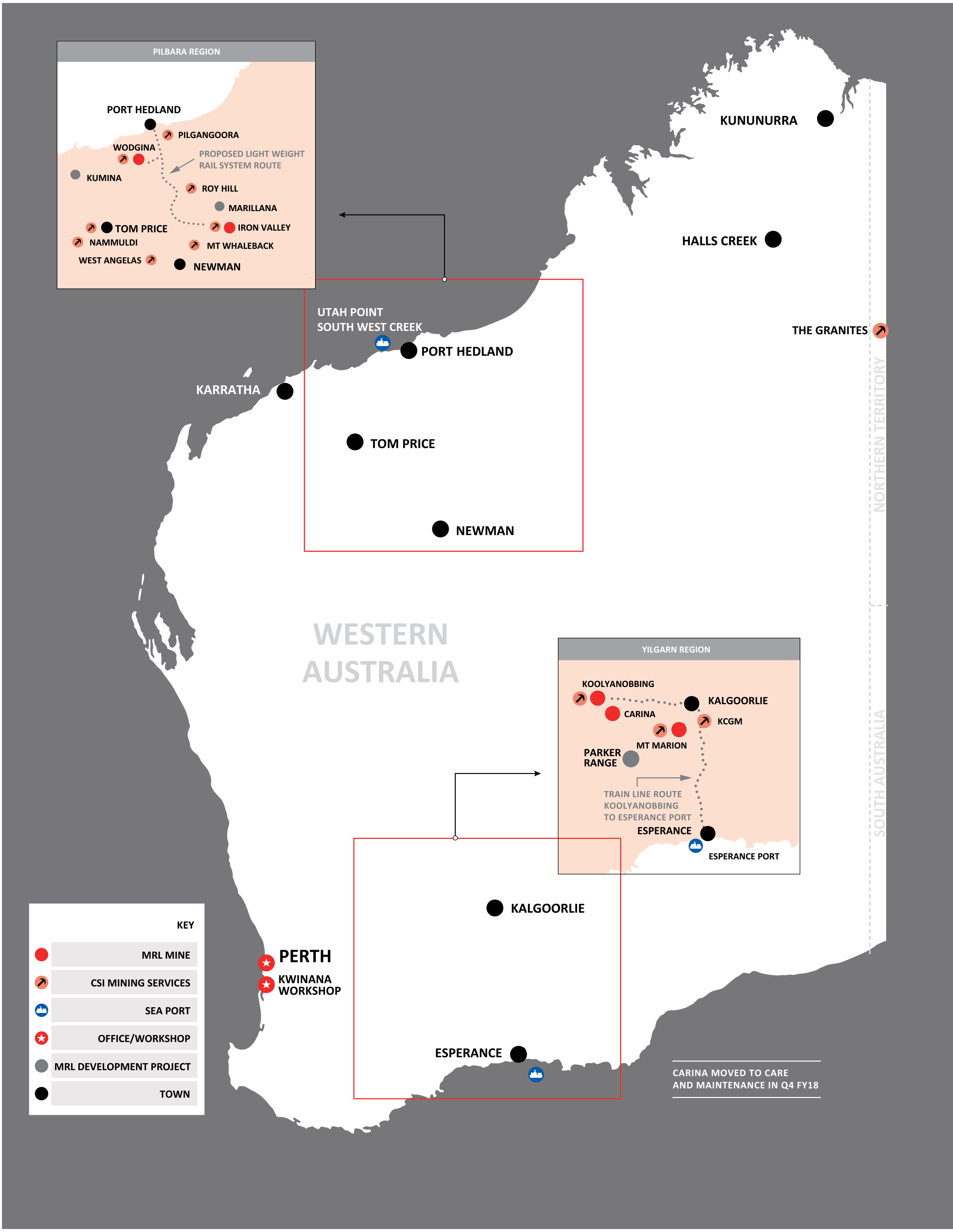
Capital investment

$858m

Total value of exports

$1,184m

MRL at a Glance: Where we operate



Operational Review

Mineral Resources is an innovative and leading mining services company with a world-class portfolio of mining operations across lithium and iron ore.

MRL has been successfully providing safe, high-quality, low-cost mining, mining construction and mining infrastructure services for more than 25 years. The experience gained through our mining services business has enabled a successful transition into a low-cost mining operator involving a series of profit-share positions in commodity projects.

We have created long-term, diverse annuity earnings through the mining services business and operations across different commodities in various geographical locations with Tier 1 mining companies.

We have a large footprint, providing mining services to clients throughout Western Australia and the Northern Territory, operating mine sites in the Pilbara and Yilgarn regions, and shipping product through Utah Point (Port Hedland) and Esperance Port.

Our business consists of three core pillars:

- Mining Services
- Commodities
- Innovation and Infrastructure

Mining Services

Our range of mining services is offered through CSI Mining Services and Process Minerals International.

CSI Mining Services

Crushing Services International Pty Ltd, now known as CSI Mining Services (CSI), is dedicated to providing world-class, tailored crushing, screening and processing solutions for some of the world's largest mining companies.

CSI's service offering also includes the design, manufacture, commissioning and on-site operation and maintenance of plant facilities, as well as the provision of specialised mine services such as materials handling, plant and equipment hire, plant and equipment maintenance, recovery of tailings, aggregate crushing, and mine design, engineering and construction.

CSI's Build, Own, Operate (BOO) business model, together with our trusted, long-standing relationships with our clients, has led to a solid performance for FY19. We had 16 crushing plants and two processing plants in operation during the year. Our crushing business continues to run well and mostly delivered to expectations in FY19.

Mining services at Koolyanobbing iron ore in the Yilgarn

We had 100 per cent client retention for the year, experiencing no loss of contracts.

Crushing commenced at Koolyanobbing, which boosted the second-half mining services results. However, overall volumes were slightly down at year end on original expectations due to the later than expected start-up of the Wodgina crushing plant and some client delays in projects.

By partnering with CSI, our blue-chip clients realise tangible and quantifiable cost and time benefits associated with working with the industry-leading materials handling specialist in this field of mine operations. In addition, we leverage the experience and skills of CSI when developing and operating our own profit-share projects. In doing so, we develop a pipeline of future work for our core business as a mining services provider. During FY19, our experienced construction team continued to progress the Mt Marion Upgrade Project, the Wodgina crushing plant, as well as the three-train beneficiation plant at Wodgina and the associated infrastructure.

CSI owns Australia's largest inventory of crushing and mineral processing equipment, parts and rotable spares. As such, we are uniquely placed to quickly and efficiently design and construct plants, utilising new and/or refurbished components, thereby capitalising on opportunities that are out of reach of our competitors.

During the year, we were awarded two external contracts for load and haul mining services with one of our

blue-chip customers. We successfully delivered a full mobilisation, including establishing a near-new mobile fleet and production operator, as well as workshop and support staff, to provide a quick turnaround and commence production for our client within four weeks. While we are well known for our crushing and processing services, this was our first load and haul contract for an external Tier 1 miner.

Kwinana Workshop and Logistics Hub

CSI's Kwinana Workshop, located south of Perth, provides innovative and low-cost solutions for all of our projects, enabling expedited development timeframes and in-house testing capability.

The workshop is the largest facility of its kind in Western Australia and undertakes fabrication of mining and processing plants, fixed and mobile equipment maintenance, and is the primary support and service centre for our operational crushing and processing sites. The workshop is set on 10 hectares of land and employs more than 150 people. During FY19, we employed 11 apprentices at the workshop, which was the largest intake for the year for the Kwinana industrial area.

We have a Field Service crew which operates from Kwinana to provide high-performance resources for scheduled fixed plant maintenance shutdowns, annual leave coverage, site special projects, plant upgrades, rotable spares and urgent breakdown support to all of our operating sites.

Kwinana Workshop and Logistics Hub

The Kwinana Workshop and Logistics Hub services remote operations throughout Western Australia, for both our owned and operated sites and as well as our BOO operations on client-owned sites.

Process Minerals International

Process Minerals International Pty Ltd (PMI) specialises in establishing new mines on behalf of tenement owners by undertaking all project development stages necessary to achieve initial production, following which CSI can provide ongoing crushing, screening and processing services.

PMI manages mine site approvals and development activities, including mining, processing, site services, mine-to-port logistics, ship loading, marketing and export of resource products. PMI thereby provides an end-to-end service from mine inception through to production, marketing, sales and export.

Operational Review - Mining Services


Wodgina's accommodation village expansion

Site Services

The PMI Site Services team manages six accommodation villages across four mine sites, providing quality accommodation and meals to our workers and guests. During FY19, the team had 1,959 accommodation rooms under management, representing an increase of 52 per cent when compared to the previous financial year, largely driven by the increase in employees due to the construction activity.

Supply Chain Logistics

PMI manage the mine-to-port logistics for all MRL-owned and/or operated mine sites, including Iron Valley, Koolyanobbing, Wodgina and Mt Marion.

For FY19, Total Material Movement (TMM) in our mining pits was 65.2Mt, 12.8Mt of run-of-mine ore was crushed, 2.6Mt of ore was beneficiated and a total of 15.0Mt of product was transported to export facilities via our fleet of road trains and our rail fleet. This represents an increase of 12 per cent of total ore hauled compared to the previous financial year.

PMI also utilises strategic port allocations at Utah Point in the Pilbara and Esperance in the south of Western Australia. During FY19, PMI commenced Koolyanobbing iron ore exports out of the Esperance Port for loading onto capesize vessels for export. PMI also moved the shipping of Mt Marion spodumene concentrate from Kwinana Port to Esperance Port, which realised cost savings and environmental benefits due to the shorter trucking distance.

Mining Services and Processing Operational Performance

Mining Services Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) of $209 million was $51 million (20 per cent) lower than FY18. EBITDA in the second half increased 39 per cent, driven by the commencement of the Koolyanobbing operations in September 2018 and by contributions from a number of external contracts.

In FY19, revenue from Mining Services, both internal and external, was $850 million, which represents a decrease of $35 million (4 per cent) compared to FY18.

Both Mining Services revenue and EBITDA were primarily impacted by:

- Suspension of Direct Shipping Ore (DSO) operations at Wodgina, which resulted in a reduction of earnings for pit-to-port mining services
- A reduction in crushing volumes at Wodgina, which decreased to 0.8 million wet tonnes, down 78.5 per cent on the same period last year. The Wodgina crushing plant re-commenced operations by year end with the commissioning of the spodumene concentrate plant
- Delays in the Mt Marion Upgrade Project
- A reduction in Iron Valley crushing volumes to 6.1 million wet tonnes, which was down 19 per cent compared to FY18. Sales were not impacted as inventory levels were reduced during FY19
- Delays in approvals for the start-up of operations at Koolyanobbing.

Koolyanobbing iron ore operations

Commodities

MRL operates four mine sites in the Pilbara and Goldfields regions of Western Australia:

Iron Ore

- Iron Valley
- Koolyanobbing

Lithium

- Wodgina
- Mt Marion

Iron Ore

Iron Valley Iron Ore

Located in the Pilbara region, Iron Valley ran at a steady state, with 7.4Mt total ore mined during FY19. On the back of the strength in the iron ore market, spodumene concentrate stockpiled fines from FY18 were exported.

Koolyanobbing Iron Ore

During FY19, MRL recommenced iron ore operations in the Yilgarn at the Koolyanobbing iron ore deposit with the first tonnes exported in December from Esperance Port. Originally targeting a 6-6.25Mt per annum run rate, during the year the decision was made to increase to 7.5Mt per annum, which was achieved by year end. At the time of writing, Koolyanobbing's run rate is being increased by a further 4Mt per annum to reach a 11.5Mt per annum run rate by end of Q2 FY20.

Iron Ore Operational Performance

The iron ore business faced challenges during the early part of the year as a result of heavy discounting before the market strengthened in the second half of the year. Iron ore produced an EBITDA of $214 million, which was $187 million higher than FY18, reflecting increased tonnes shipped and higher prices. Iron ore revenue of $954 million was $330 million (53 per cent) higher than the previous year.

Iron ore exports in FY19 of 10.6 million wet tonnes were higher than FY18 as a result of a 20 per cent increase in the tonnes shipped from Iron Valley. Exports in the Yilgarn were in line with the previous year's performance, despite the temporary pause in activity as the Koolyanobbing operations commenced and ramped up.

The average iron ore price achieved for FY19 was A$90.4 per wet tonne, an increase of 35 per cent compared to the same period last year and a net 15 per cent discount to Platts. The material narrowing of discounts from 26 per cent in the first half of the year down to 13 per cent in the second half was driven by strong Platts pricing.

The Platts 62 per cent Fines Index (adjusted for moisture) averaged A$105.9 per wet tonne for FY19, representing an increase of 25 per cent on FY18 which reflects strong market conditions. The Platts 62 per cent Fines Index (adjusted for moisture) averaged A$88.4 per wet tonne in the first half of the year and A$120.6 per wet tonne in the second half.

Lithium

Mt Marion Lithium

The Mt Marion Lithium Project is operated by MRL under a life-of-mine mining services contract and is jointly owned by MRL (50 per cent) and one of the world's largest lithium producers, Jiangxi Ganfeng Lithium Co. Ltd (Ganfeng) (50 per cent). As announced during the year[1], both companies increased their share from 43.1 per cent to 50 per cent following the sale of Neometals Limited's 13.8 per cent share, which was purchased equally between MRL and Ganfeng, effective from 18 March 2019.

The Mt Marion Upgrade Project, which commenced in FY18, was completed during FY19. With the price of lithium decreasing during the past year, there is a balance between what the plant is capable of producing and what the market will consume, so production has been at a steady state of around 370,000 tonnes per annum. We continue to produce a mix of 4 per cent and 6 per cent for Ganfeng, which reflects market demand.

The utilities costs for the plant have been challenging, along with the water quality, which has a very high salt content. Our focus during the coming year will be on reducing costs by optimising our water and power usage and upgrading tails to dry stacking.

[1]MIN ASX 21 December 2019


Mt Marion lithium beneficiation plant

Mt Marion Operational Performance

Mt Marion produced an EBITDA of $70 million, 39 per cent higher than in FY18. This was mainly due to:

- The achieved price for 6 per cent and 4 per cent spodumene products averaging A$1,044 per wet tonne for all tonnes exported, which represents an increase of 19 per cent on last year
- Improved yields from mining activities in FY19, resulted in 72 per cent of the higher-grade 6 per cent spodumene exported compared to 55 per cent in FY18
- Total sales volumes in FY19 being consistent with last year at 378,000 wet tonnes, which is one per cent less than FY18.

Pricing for Mt Marion is linked to international and Chinese domestic lithium carbonate and hydroxide prices rather than bilateral spodumene market prices. The 6 per cent spodumene price for Q4 FY19 was agreed at US$682 per dry tonne CFR China (the equivalent of US$659 per wet tonne), a 29 per cent reduction in pricing compared to FY18.

Wodgina Lithium

At the time of writing, the Wodgina Lithium Project is 100 per cent owned by MRL. The site operations are managed by MRL under a life-of-mine, mining services contract.

Wodgina is one of the largest known hard rock lithium deposits in the world with a production life of over 30 years. The Wodgina mineral resource is estimated at 259.2Mt at 1.17 per cent Li_2O, with a hard rock ore reserve in Casserite Pit estimated at 151.9Mt at 1.17 per cent Li_2O.[2]

Construction of the three-train, 750,000 tonnes per annum 6 per cent spodumene concentrate plant, along with the associated crushing and non-process infrastructure upgrades at Wodgina, progressed in FY19. Construction of Trains 1 and 2 was completed with commissioning underway. Train 3 is due for completion by the end of September 2019. By FY19 year end, Train 1 was consistently producing on-spec 6 per cent spodumene concentrate.

To support the spodumene concentrate plant, the upgrades to existing infrastructure that were completed during the year included the construction of an 81km, 10-inch natural gas pipeline, a new 64MW capacity gas-fired power station, expansion of accommodation facilities, extension to tailings storage facilities and an upgrade to the water supply infrastructure. An airstrip near the mine site with the capability to land A320 aircraft is due to be operational by the end of October 2019.

Wodgina Lithium Sale Process

During the first half of FY19, MRL announced a sale agreement with Albemarle Corporation (NYSE: ALB, Albemarle)[3]. An amendment to this agreement was announced at the start of FY20[4].

As part of the amended agreement, Albemarle will acquire a 60 per cent interest in certain tenements, assets and related infrastructure comprising the Wodgina Lithium Project and on completion of the sale will form a 60:40 unincorporated joint venture with MRL. On completion, Albemarle will pay MRL US$820 million and transfer a 40 per cent interest in the first two 25,000 dry tonne per annum lithium hydroxide conversion units, currently being built by Albemarle in Kemerton, Western Australia, to MRL.

The revised agreement provides MRL with the opportunity to participate in the lithium hydroxide market on an accelerated basis while preserving the option for future capacity expansions at Wodgina. Importantly, it allows MRL to partner with one of the world's leading lithium companies with particular strengths in marketing and production.

The transaction remains subject to regulatory approvals and is expected to be completed by 31 December 2019.

[2]MIN ASX 23 October 2018
[3]MIN ASX 14 December 2018
[4]MIN ASX 1 August 2019

Commodities Operational Performance

MRL's commodity export sales volumes in the period were:

Commodity exports ('000 wet metric tonnes)	1H FY18	2H FY18	Total FY18	1H FY19	2H FY19	Total FY19
Utah Point						
Iron Valley	3,058	3,136	6,194	3,673	3,733	7,406
Wodgina	1,772	1,710	3,481	422	-	422
Total Utah Point	4,830	4,846	9,675	4,095	3,733	7,828
Kwinana Bulk Terminal 2						
Yilgarn	1,777	1,378	3,155	-	-	-
Mt Marion	202	181	382	186	192	378
Total Kwinana Bulk Terminal 2	1,979	1,559	3,537	186	192	378
Esperance						
Koolyanobbing	-	-	-	292	2,864	3,156
Total Esperance	-	-	-	292	2,864	3,156
Total Iron Ore	4,835	4,514	9,349	3,965	6,597	10,562
Total Lithium DSO	1,772	1,710	3,481	422	-	422
Total Spodumene	202	181	382	186	-	378
Total Commodity Exports	6,809	6,404	13,212	4,573	6,789	11,362

Note: Volume shown for Mt Marion is 100 per cent. MRL's ownership interest in this project increased from 43.1 per cent to 50 per cent on 18 March 2019.

Commodity volumes and prices impacted MRL's overall financial performance for FY19, including:

- Favourable iron ore tonnes and pricing in the second half of FY19 resulted in strong returns, despite the temporary pause in mining activity in the Yilgarn region of Western Australia. This pause saw mining activities at Carina cease in the second half of FY18, with the commencement of mining activity at Koolyanobbing in September 2018, with the first shipment in December 2018. At the time of writing, operations are ramping up to an annual run rate of 11.5 million wet tonnes
- Lithium volumes reduced in FY19 as Wodgina DSO operations ceased to preserve the value of the resource for the spodumene concentrate development.

Wodgina's spodumene concentrate plant

Oil and Gas

Through our wholly-owned subsidiary, Energy Resources Ltd, we hold interests in nine exploration permits (and are also the operator of seven of them) across five locations in the onshore Perth Basin. The locations extend from south of the Perth Metropolitan area to the Mingenew Shire in the north.

As part of our Perth Basin Exploration Permits (EPs), we are required to carry out exploration drilling and seismic commitments within a certain timeframe. During FY19, we continued to progress our approvals and environment management planning.
We also commenced engaging with our stakeholders in preparation to acquire seismic and commence drilling within the next year.

Innovation

MRL fosters an environment for pioneering innovation and investing in patented technology to create lower-cost mining services solutions with high barriers to entry. It is through this approach that a range of innovative products and processes has been developed, all of which are designed to facilitate increases in efficiency and lower costs to provide MRL with a distinct competitive advantage.

During FY19, we made significant progress in the development of carbon fibre technology and synthetic graphite production. We have also continued to make progress with the Pilbara Infrastructure Project and evolve the NextGen crushing plants.

Carbon Fibre Technology

MRL, through its shareholding in CarbonArt Pty Ltd (owned 60 per cent by MRL and 40 per cent by Carbon Quantized Pty Ltd, a subsidiary of the Carbon Dynamics Group Pty Ltd), established a carbon fibre manufacturing facility with the core focus of developing automated carbon fibre manufacturing equipment, specifically designed to produce structural components for use in the mining industry.

During FY19, two 150-tonne dump trucks fitted with carbon fibre trays were deployed and introduced into operation at Koolyanobbing, with three more to be fitted and deployed by November 2019. The weight reduction from a 31-tonne steel tray to an 8.5-tonne carbon fibre tray is 22.5 tonnes. The benefits are substantial with a more than 10 per cent payload increase expected on a 150-tonne dump truck fitted with a carbon fibre tray.

The focus for the next 12 months is on durability trials to understand wear rates and ongoing optimisation of both the trays and the manufacturing facility as well as seeking ways to optimise costs.

Engineering design work is underway on a carbon fibre tray for a 200-tonne dump truck, with the aim to start field testing in November.

Synthetic Graphite Production (Hazer)

As part of the agreement between MRL and Hazer Group Ltd[5], MRL secured an exclusive worldwide IP licence to utilise the Hazer process for the primary purpose of producing synthetic graphite from natural gas and iron ore.

The design and construction of our continuous feed pilot plant was completed and commissioned during FY19 and successfully produced its first run of synthetic graphite. The initial results were better than expected with the synthetic graphite exceeding 96 per cent Total Graphitic Carbon (TGC). The product certification process has commenced and is expected to take 12 months. While this process is underway, we will continue to optimise the production process with the view to scale to a 1,000 tonnes per annum modular plant, which will be capable of producing high-quality graphite suitable for high- value applications including lithium ion batteries.


150-tonne carbon fibre dump truck tray in operation at Koolyanobbing

NextGen II Crushing Plant

Following on from the success of the installation at our NextGen plant in the Pilbara in FY19, we entered into a partnership with Metso Minerals to develop modular crushing and screening plants. The modular design allows for 1Mt per annum capacity to 15Mt per annum capacity plants, which provides for increased flexibility to meet client needs.

The new NextGen plants will be suitable for stemming through to hard rock processing. MRL will market and operate under a build-own-operate model in Australia and Metso will provide global marketing. MRL will retain the Intellectual Property (IP) rights.

Metso will be responsible for the fabrication, with the assembly of the modules to be carried out at the MRL Kwinana facility. The aim is to commence fabrication in Q2 FY20.

Pilbara Infrastructure Project

The Pilbara Infrastructure Project consists of three distinct elements:

- Rail System
- Port Stockyard
- Capesize Carrier Facility

This key infrastructure project will provide an economic transport system from mine site to port, not only for our own operations but also for third-party users. In doing so, we will create a 30 to 50-year horizon for our mining services business.

Rail System

MRL is developing an innovative, low capital and operating cost, rail-based transport system to connect the inland Pilbara region to the inner harbour of Port Hedland.

The project is administered by the Department of Jobs, Tourism, Science and Innovation (JTSI), the lead agency for economic development and investment in Western Australia. Environmental approval has been secured for the rail corridor and the proposed Bulk Ore Shuttle System (BOSS). We are currently negotiating a State Agreement with JTSI in relation to the project.

During FY19, the originally designed BOSS underwent modelling and third-party technical and cost verification.
We continue to work through the process of finalising the design, optimising the costs to determine the best possible technology selection, as well as working with stakeholders for right-of-way approvals.

Port Stockyard

The Port Stockyard is anticipated to be a fully automated train unloading and product stockyard facility adjacent to South West Creek.

Compared to the cost of using Utah Point, the proposed Port Stockyard is expected to have materially lower costs due to the use of a fully-automated bucket wheel (instead of a front end loader) for reclaiming and the cost-saving synergies expected from moving increased volumes of ore.

The Port Stockyard is designed to meet a 60Mtpa berth capacity and will materially reduce vessel loading times.

Subject to statutory approvals, and relevant investment approvals, construction is anticipated to commence during 2021.

[5] MIN ASX 20 December 2017

Capesize Carrier Facility

MRL is seeking the right to develop a multi-user export facility at South West Creek with a potential 60Mtpa export capacity allocation. The facility will have product delivered to it via the rail system, be fully automated and capable of receiving capesize vessels.

During FY19 we continued to work through the approvals process and, providing all approvals are granted, we are aiming to start dredging the inner harbour in preparation for construction during 2021.

Acquisitions and Profit Share Projects

Cleveland-Cliffs Inc. – Koolyanobbing

During FY19, MRL successfully completed its acquisition of the Koolyanobbing iron ore operation assets in the Yilgarn region of Western Australia from Cleveland-Cliffs Inc.[6]

Following completion of the acquisition, MRL recommenced Yilgarn iron ore operations and transporting the ore by MRL-owned and operated locomotives and rail wagons to Esperance Port for export via capesize carriers to Asia.

Hexagon Resources Limited – McIntosh Graphite Development

In FY18, MRL entered into a Farm-In and Joint Venture Agreement (FJVA) for Stage 1 of Hexagon Resources Limited's (Hexagon) McIntosh flake graphite project, pursuant to which MRL can earn a 51 per cent interest in the project.

In September 2019, MRL made the decision to continue its focus on growing the Company's existing operations and commodities business and, consequently, notified Hexagon that it would not be proceeding with the joint venture for the development of the McIntosh graphite project.

Brockman Iron Ore Joint Venture

In FY18[7], MRL executed a FJVA with Brockman Mining Limited pursuant to which MRL can earn a 50 per cent interest in the Marillana iron ore project in the Pilbara.

Under the agreement, in order for the FJVA to become unconditional, a mine-to-ship logistics agreement was required to be executed for the transport of Marillana iron ore via a rail system from the mine site to Port Hedland. During FY19, the agreement was executed and the FJVA became unconditional and the farm-in period commenced[8].

To acquire the 50 per cent interest in Marillana, MRL must meet certain farm-in obligations in relation to spend on exploration and development activities on the Marillana tenements, complete the process design criteria of the processing plant(s), optimise the mine plan study and finalise the mine development layout plan. In July 2019, both companies agreed that the farm-In obligations may take up to a further 12 months to complete or up to 31 July 2020, and agreed to extend the key dates for commencing construction and operations of the rail and port system by 12 months from the originally specified dates[9].

On successful completion of the farm-in obligations, the Marillana JV will initially develop and operate an iron ore facility with production capacity up to 30Mtpa. Expenditure for the development of the mine site, including haul roads, an accommodation village, a power station and an airport, will be be split 50:50 between Brockman and MRL.

Kumina Iron Ore

During FY19 MRL completed the acquisition of the Kumina Iron Ore Project from BCI Minerals Limited[10]. The Kumina Project is located in the West Pilbara region approximately 100 kilometres south of Karratha.

MRL has received environmental approval for exploration work from the Department of Mines, Industry Regulation and Safety (DMIRS). An exploration camp was mobilised to the site and established during the year ahead of the arrival of the exploration team, which is currently undertaking environment and heritage surveys, exploration works and earth works in preparation for a planned exploration drilling campaign in FY20.

[6] MIN ASX 29 August 2018
[7] MIN ASX 27 July 2018
[8] MIN ASX 22 January 2019
[9] MIN ASX 22 July 2019
[10] MIN ASX 21 December 2018

Financial Review

FY19 was a year of significant investment for the business with capital outlays totalling $858 million, up 140 per cent on the prior corresponding period.

Financial performance

MRL generated normalised earnings before interest, tax, depreciation and amortisation (EBITDA) of $433 million for the financial year ended 30 June 2019 (FY19). This result was down $73 million or 14 per cent on the prior corresponding period (pcp) but above FY19 guidance of $360 million to $390 million. Reported net profit after tax (NPAT) was $165 million, down $107 million on pcp.

Normalised EBITDA has been derived by excluding from reported EBITDA of $386 million both a $42 million unrealised fair value loss on listed investments (pcp was a $60 million fair value gain) and a $4 million unrealised loss on the foreign exchange translation impact of the Group's US dollar denominated notes.

Group revenue for the year ended 30 June 2019 was $1,512 million, and this was down $113 million (7 per cent) on pcp.

FY19 was a year of significant investment for the business with capital outlays totalling $858 million, up 140 per cent on the pcp. Key investment projects included:

- Development of Wodgina from a Direct Shipping Ore (DSO) operation into a higher-value lithium spodumene operation. This involved the ceasing of DSO sales from Wodgina during FY19 in order to preserve the value of the resource, and the construction of a 750,000 dry tonne per annum spodumene concentrate plant along with significant associated site infrastructure
- Upgrade of the Mt Marion lithium project
- Commencement of iron ore operations at Koolyanobbing, which by year end was operating at a production rate in excess of 6 million wet tonnes per annum.

These investments have positioned MRL for future growth and will strengthen its earnings base.

Volatility in commodity prices saw lithium prices fall over the course of the year, while the Platts 62 per cent Fines Index increased by 70 per cent over the period. Despite the price volatility and the decision to halt DSO operations at Wodgina in favour of expansionary investment, MRL's business model continued to deliver a strong result for investors, underpinned by the Mining Services operations.

Cash and capital management

At 30 June 2019, MRL held cash and cash equivalents of $265 million, an increase from $240 million at 30 June 2018. In addition to its 30 June 2019 cash holdings, the Group has access to substantial undrawn debt facilities to support business development activities ($366 million as at 30 June 2019).

On 23 April 2019, MRL completed its US$700 million senior unsecured notes offering due 2027, at an interest rate of 8.125 per cent per annum. A portion of the net cash proceeds from the USD notes raising was used to refinance certain of the Group's existing credit facilities. On 4 June 2019, MRL entered into a new $250m syndicated revolving credit facility, which was undrawn at financial year end. Completion of the Albemarle transaction is expected to result in the Group moving back to a positive net cash position.

Net cash from operating activities before interest and tax of $269 million in FY19 was down $269 million on pcp, reflecting working capital outflow associated with increasing ore stockpile levels for the ramp-up at Koolyanobbing during the year, as well as the build-up for commencement of spodumene concentrate production at Wodgina.

Net cash used in investing activities in FY19 was $840 million, up $507 million on pcp, primarily relating to $858 million of capital outlays during the year on key investment projects including:

- Construction of the Wodgina spodumene concentrate plant and related infrastructure
- Mt Marion beneficiation plant upgrade and related infrastructure
- Acquisition of Kumina tenements
- Innovation costs, including progressing the development and testing of CarbonArt's carbon fibre dump truck trays
- Mining assets and stripping activity to support the Group's commodity projects.

Consistent with the MRL dividend policy, and reflecting the reduction in earnings during the year, a fully franked final dividend of 31.0 cents per ordinary share was declared for shareholders as at 22 August 2019 to be paid on 4 October 2019. Inclusive of the fully franked interim dividend of 13.0 cents per ordinary share paid in April 2019, total dividends declared in respect of FY19 amount to 44.0 cents per ordinary share.

Sustainability Report

This is the second year that we have reported on our sustainability performance.
Included in this report is a summary of our performance.
For the full Sustainability Report, visit www.mrl.com.au.

This is the second year that we have reported on our sustainability performance, following our inaugural FY18 Environmental, Social and Governance (ESG) Report.

Health and safety awareness training

Our sustainability reporting covers operations where MRL and its subsidiaries have operational control and has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option. Our commitment to the sustainability journey includes obtaining external assurance over six of our sustainability performance indicators for the first time. For a copy of our detailed sustainability report, inclusive of the external assurance statement, visit www.mrl.com.au.

The GRI reporting principles have been applied for defining report content by undertaking a thorough materiality process to understand our key sustainability topics. This involved reviewing what matters to our business, our investors and our other stakeholders, and assessing what factors could influence our ability to create or sustain value. Our materiality assessment was informed by an assessment of our sustainability context, industry-specific issues, stakeholder concerns, peer reporting, as well as international sustainability frameworks such as the GRI and the Sustainable Development Goals (SDGs).

We have identified six material topics covering the themes of health and safety, people, environment and social.

Theme	Material Topic
Health and Safety	1. Maintaining a safe working environment that promotes health and wellbeing
People	2. Attracting and retaining talent 3. Developing a diverse, inclusive and non-discriminatory workplace
Environment	4. Managing our resource use and environmental impacts while innovating towards a low-carbon economy
Social	5. Supporting communities 6. Creating opportunities for skills development and managing our relationships with communities

Health and Safety

MRL promotes health and safety as a core business value that underpins everything that we do. We work to identify and control hazards, protect our people from exposure to health and safety risks, and support the health and wellbeing of our people. We take our duty of care seriously, viewing safety performance as fundamental to our overall success and our social licence to operate.

Measuring our health and safety performance is a critical part of our safety management framework. We measure over 30 lead and lag indicators on a monthly basis, including workplace inspections, field interactions, near-miss incidents, safety communications and audits. Performance is evaluated against targets for each indicator.

We publicly report our Lost Time Injury Frequency Rate (LTIFR), Total Recordable Injury Frequency Rate (TRIFR) and fatalities. MRL's injury frequency rates, provided in Figure 1, are calculated based on 1,000,000 hours worked and include both employees and contractors.

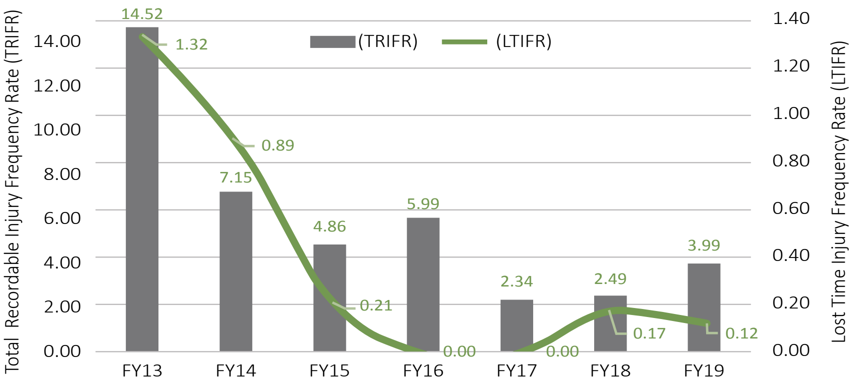


Figure 1: Historical Trends in Injury Frequency Rates

Pleasingly, during the last year, our LTIFR improved from 0.17 in FY18 to 0.12 in FY19. Our TRIFR increased from 2.49 in FY18 to 3.99 in FY19. We recognise that our TRIFR performance has increased since last year, which corresponds to the increase in the number of new people who joined the business, largely attributed to the ramp up in our construction projects. During the period, the total hours worked increased by 32 per cent compared to FY18. We have implemented behaviour workshops and increased our on-site leadership presence to educate and remind our workforce about our commitment to our safety culture and have in place an action plan to continue our work in this area.


Apprentices learning on-the-job at the Kwinana Workshop

People

We are committed to creating a fair, diverse and inclusive workplace that attracts and retains talent. As at 30 June 2019, we had 2,646 employees. This figure does not include contractors or Non-Executive Directors.

As at 30 June 2019, 13.21 per cent of the MRL workforce identified as female, compared to an industry average of 15.8 per cent[12]. This represents a slight decrease in female representation compared to 30 June 2018, where female participation was 14.77 per cent. This is attributed to a significant increase in our construction workforce during FY19, a sector that traditionally is male-dominated.

As at 30 June 2019, employees identifying as Indigenous accounted for 1.62 per cent of our workforce, compared to an industry average of 4 per cent[11]. This is a slight decrease compared to 30 June 2018, when 1.73 per cent of employees identified as Indigenous.

Diversity and Inclusion

MRL understands that developing a diverse, inclusive and non-discriminatory workplace brings many benefits to the business including improved talent attraction and retention, improved group performance and productivity, as well as enhanced internal, customer and stakeholder relationships.

Our updated Diversity and Inclusion Policy demonstrates our commitment to:

- Attract, develop and retain employees from the widest possible pool of talent
- Treat our people with dignity and respect
- Embrace diversity and inclusion within our teams
- Respect the diversity of our customers, clients and stakeholders
- Foster a culture that maximises the benefits of diverse experiences and perspectives.

MRL's Diversity and Inclusion Programme, steered by the Diversity and Inclusion (D&I) Committee, aims to provide equal opportunities for all employees across the business.

Training and Development

As competition for talent increases, we recognise we need to contribute to the development of skills that are needed in our business. MRL offers apprenticeships, traineeships and graduate positions, which focus on developing the skills that we need. This supports our internal 'Further Education and Development Programme' to develop our workforce.

Our apprenticeship programme aims to develop highly-skilled future tradespeople and potential future leaders of the organisation. Apprenticeships are a structured training arrangement, usually of four years' duration, which combine practical work experience with complementary off-the-job training at a Registered Training Organisation.

On successful completion of the apprenticeship, the apprentice is issued with a nationally-recognised qualification and the on-the-job skills required to be able to effectively perform in their chosen trade. We currently have 23 apprentices in MRL, with three identifying as Indigenous. Going forward, we look to broaden Indigenous representation in our apprenticeship and traineeship programmes, including the establishment of an Aboriginal Field Assistant Traineeship.

In addition to apprenticeships, we also offer 12-month traineeships and graduate positions. In FY19, we employed six trainees and seven graduates across the disciplines of finance, geology, electrical engineering, mechanical engineering, mining engineering and instrumentation and controls engineering.

During FY19, we continued our relationship with the Kwinana Industries Council (KIC) by taking on Year 11 and 12 work experience students from Gilmore College through the KIC Metals and Engineering School-based Traineeship. Work experience rotations take place at a number of areas in our Kwinana Workshop, including steel fabrication, electrical and mobile equipment maintenance and light and heavy fitting. We also assist the new Year 11 KIC Metals and Engineering School-based trainees by providing their toolboxes.

Supporting the KIC iWomen and iMen Project

As part of our relationship with Kwinana Industries Council (KIC), we had the opportunity to sit down with Year 10 female students from 17 high schools in the KIC Education Partnership to discuss career opportunities with MRL and the wider resources industry as part of their iWomen Project. We also participated in the iMen Project, which runs annually and has an intake of 32 male students from the KIC Education Partnership.

Both the iWomen and iMen Projects run for two days per week for three weeks and involve workshops, team building exercises, presentations, industry excursions and mock interviews. The Projects also extend to the use of social media and personal branding, preparing a professional resume and exercises to help develop leadership skills.

[11] Chamber of Minerals and Energy of Western Australia, 2017, 'Diversity in the Western Australian Resources Sector' report.
[12] Based on 2018 data for Metal Ore mining organisations which have between 1000 and 4999 employees sourced from the Workforce Gender Equality Agency.

Environment

Environmental management is an important part of maintaining our social licence to operate. We adopt a systematic approach to mitigate risk and identify management strategies to ensure that our operations do not result in unacceptable environmental impacts.

Energy

Energy is a critical input into our business operations. There is a particular focus on reducing reliance on diesel by introducing end-to-end energy solutions with natural gas, Liquefied Natural Gas (LNG) and renewable energy.

During FY19, MRL completed three key energy-related projects to improve energy security and reduce our reliance on diesel:

- Expansion of the Mt Marion LNG Power Station, which involved:
  - Installation of a new gas-fuelled generator to increase installed power generation capacity to 11MW
  - Additional LNG storage tanks to increase on-site fuel supply
  - Additional vapourisation capacity
  - Installation of a Battery Energy Storage System (BESS)[13] which will result in improved efficiency
- New Wodgina natural gas-fired power station, which has an installed capacity of 64MW.
- New Wodgina 10-inch pipeline to supply natural gas to the Wodgina power station.

MRL continues to support the Future Energy Exports Cooperative Research Centre (CRC) through engineering support of a micro-LNG plant at Kwinana. The CRC undertakes industry-led research, education and training on developing technologies in LNG and hydrogen energy sectors.

Going forward, MRL is investigating several energy-related initiatives, including re-deployable solar generation capacity as well as modular, expandable skid-mounted LNG storage for smaller sites. MRL is also looking into working with third parties in near geographic proximity to find synergistic energy and water solutions through the use of common infrastructure.


Wodgina's natural gas-fired power station and the gas pipeline delivery station

Greenhouse Gas Emissions

Our Greenhouse Gas (GHG) emissions are directly related to our energy use and growth of our operations. MRL calculates Scope 1 and 2 GHG emissions for entities under its operational control using the National Greenhouse and Energy Reporting (Measurement) Determination 2008. Scope 1 and 2 emissions data is reported annually to the Australian Government's Clean Energy Regulator in the Section 19 Report on Energy and Emissions, as well as in the annual CDP Climate Change questionnaire.

	FY16[14]	FY17	FY18[14]	FY19[15]
Scope 1 (tCO_2e)	108,427	181,475	215,726	218,432
Scope 2 (tCO_2e)	1,898	3,007	2,222	2,373
Total (tCO_2e)	110,325	184,482	217,948	220,805

Table 5: Scope 1 and 2 GHG emissions

Total Scope 1 and 2 emissions reflect the changing nature of our operations. Between FY17 and FY18, there was an 18 per cent increase in emissions due to the growth and expansion of our activities, particularly the significant ramping up of activity at Wodgina and Mt Marion. However, when comparing FY19 to FY18, there has only been a slight increase in overall Scope 1 and Scope 2 emissions. There are a number of operational changes which have influenced our emissions profile during FY19 including: the commencement of our Koolyanobbing operations in September 2018; the decision to halt Direct Shipping Ore (DSO) activities at Wodgina in September 2018 to preserve the resource for a higher-value spodumene concentrate operation; and a temporary pause in mining activity in the Yilgarn region following the depletion of Carina in late FY18.

MRL continues to invest in activities that reduce the carbon intensity of our operations. We are actively reducing our reliance on diesel and displacing grid electricity through solar installations at our Perth offices and workshops. Collectively, our solar photovoltaic (PV) installations have generated 908MWh over FY19, equating to 635tCO_2e of avoided Scope 2 emissions.

[13] Battery Energy Storage System (BESS) is an ABB registered product name.
[14] Data for FY16 and FY18, previously reported in the FY18 ESG Report, has been updated to reflect the final GHG emissions reported in MRL's Report on Energy and Emissions under Section 19 of the National Greenhouse and Energy Reporting Act 2007.
[15] FY19 Scope 1 and 2 GHG emissions have been estimated. Final FY19 GHG emissions will be reflected in the FY19 MRL Report on Energy and Emissions under Section 19 of the *National Greenhouse and Energy Reporting Act 2007.*

Tailings Management

Tailings management is a critical part of managing the risks of the waste produced from the mining process. These risks can range from potential consequences of a tailings storage facility (TSF) failure through to groundwater impact due to seepage. The design of a tailings dam is influenced by many factors including proximity to employees, communities, infrastructure, the geological conditions, as well as the deposition of the tailings. MRL regularly reviews its approach to tailings dams and takes into account learnings from others. The design of our TSFs is based on the potential risk to the environment to ensure we minimise and control any potential impact that may be caused by the construction, operation and post closure of TSFs.

MRL currently has two active TSFs at the Wodgina and Mt Marion facilities, and three TSFs in care and maintenance at the Wodgina mine site. All TSFs are located in remote areas and are significant distances from local communities and infrastructure.

MRL constructs, operates and decommissions TSFs in a safe and compliant manner consistent with regulatory requirements, applicable guidelines and standards. This applies throughout the dam's life cycle including planning and site location, design and construction, operation and preventative maintenance, decommissioning, closure, rehabilitation and post-closure monitoring and maintenance. Further information on TSFs can be found in the MRL Tailings Safety Disclosure on our website.

Innovating Towards a Low-carbon Economy

As the world transitions to a lower-carbon economy, businesses will be exposed to technology, market, social, legal and policy changes. Innovation and risk management are fundamental to navigating the changing context in which MRL operates.

MRL is exposed to a number of climate-related risks and opportunities, which may impact its ability to create and sustain value in the short, medium and long-term. Climate-related risks and opportunities are identified and assessed as part of a quarterly business risk assessment process overseen by the Audit and Risk Committee.

We have followed the Recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) to categorise climate-related risks as either physical risks, which relate to the physical impacts of climate change, or transition risks, which relate the risks associated with transitioning to a lower-carbon economy.

More information regarding the identified climate-related risks and opportunities can be found at www.mrl.com.au in our Sustainability Report.

Visiting our sponsorship partner, Shooting Stars, at Narrogin Senior High School

Social

An important part of our social licence to operate is our engagement with communities. We aim to create value through community partnerships, providing opportunities for skills development and managing our relationships with local communities.

We support communities through contributions that have a positive community benefit. Community contributions generate value for our business by promoting our brand, enhancing our reputation and demonstrating our social responsibility.

Our approach to supporting communities continues to mature through the formalisation of processes and focus areas. Our areas of focus include health and wellbeing, employment and education, with increasing alignment to our business goals and material sustainability topics.

Community Contributions

In FY19 we donated $1.99 million to communities in which we operate. This represents a 45 per cent increase from FY18. Figure 8 shows our community contributions since FY16.[16]

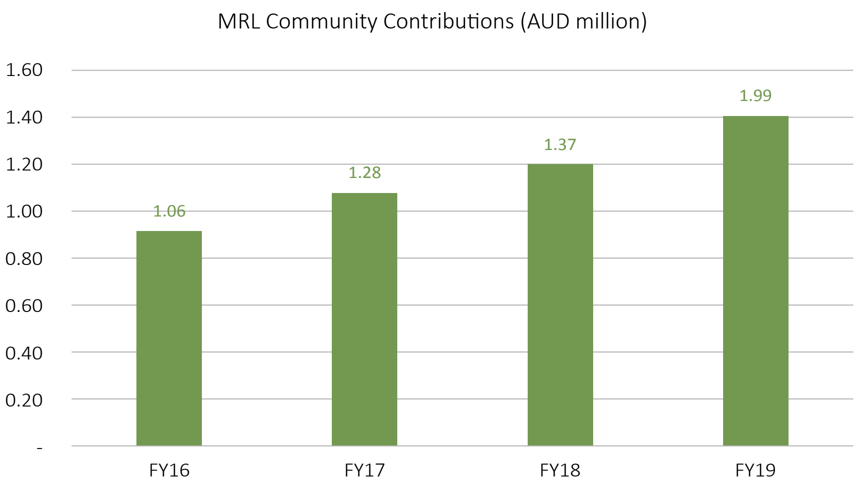


Figure 8: Community contributions (AUD million)

[16] Community contributions values for FY16, FY17 and FY18, previously reported in the FY18 Environmental Social and Governance Report have been restated to be consistent with boundary of data reported for FY19.

During FY19, in addition to our existing long-standing partnerships, our community contributions included:

- Entering into a four-year partnership agreement with Shooting Stars, an initiative of Glass Jar Australia and Netball WA, which uses netball and other rewards to encourage Indigenous girls to attend school and engage in their education, while promoting their health and wellbeing
- Supporting the Goldfields Individual and Family Support Association with a donation to undertake much needed renovations and maintenance on an existing community respite facility and crisis care house in Kalgoorlie
- Donating funds to four family crisis centres in areas where we operate - Port Hedland, Newman, Esperance and Rockingham - to provide much needed help at Christmas
- Entering into a five-year partnership with the West Coast Eagles Football Club to help establish Mineral Resources Park as a community facility and provide a permanent home to the Wirrpanda Foundation and the West Coast Eagles community outreach programme.

We are proud of our multi-year community partnerships and the social outcomes that they have achieved. Some of our partnerships are shown below.

Shooting Stars

The Shooting Stars programme aims to increase school attendance rates, whilst creating pathways to employment. Each participant's school attendance data is tracked on a weekly basis and summarised at the end of each term.

To date, Shooting Stars has seven sites across WA and engaged 337 Indigenous girls to support a minimum target of 80 per cent attendance. More than half of all participants continue to maintain an average attendance rate of 80 per cent or above.

Starlight Children's Foundation

MRL has supported the Starlight Children's Foundation for more than five years, helping to make a difference to sick children through Starlight's Wishgranting Programme. The Wishgranting Programme delivers experiences that provide long-term positive distraction for seriously ill and hospitalised children. In FY19 we helped make a difference by providing funding for 23 West Australian life-impacting Starlight wishes – more than one third of the total Starlight wishes granted in WA.

Mineral Resources House, a respite facility and crisis care house in Kalgoorlie

Youth Focus

MRL is a Premier Partner of Youth Focus, a WA counselling service and education programme that builds awareness about youth mental health issues and suicide prevention.

During FY19, our funding helped Youth Focus support a record-breaking 4,559 young people through its five offices and three Headspace centres. This represents a 23 per cent increase on FY18.

Through in-school and workplace sessions, Youth Focus connected with more than 7,000 people during FY19 to provide the community with the knowledge, resources and confidence to talk safely and openly about mental health issues, reduce stigma and encourage people to seek help for themselves and others.

The crucial service that Youth Focus provides young people continues to increase with demand outstripping supply. Funding given by MRL continues to support the counselling service that is responsive to the needs of young people in WA.

Harry Perkins Institute of Medical Research

MRL partnered with the Harry Perkins Institute of Medical Research to assist in establishing the Centre for Cardiovascular Health in Western Australia. Our support has enabled the Harry Perkins Institute to create a Professorial Chair of Cardiovascular Disease. A greater medical research presence will have an immediate impact of WA's cardiac-healthcare system.

The Lucy Saw Centre

MRL is proud to support the Lucy Saw Refuge, which provides safe accommodation and education for children of abuse, and women and children without income.

Mineral Resources House

MRL is proud to have supported the Goldfields Individual and Family Support Association with a donation to undertake much needed renovations and maintenance of an existing community respite facility and crisis care house in Kalgoorlie.

Managing our relationships with local communities

MRL has a Heritage and Land Access office that manages engagement with local communities. This typically involves engagement with pastoralists, private landowners, Traditional Owner groups and local government as part of tenement applications and regulatory approval processes.

We have several agreements with Traditional Owners which include a range of obligations such as heritage protocols, employment and business opportunities, community engagement, cultural awareness training, health and education initiatives, and work-ready programmes.

In FY20 we will be enhancing our Indigenous engagement by hosting on-country events between senior management and Indigenous elders and undertaking cultural awareness training at our operations.

Annual Financial Report

The directors present their report, together with the financial statements, for the Group for the year ended 30 June 2019.

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 financial 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 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 22 August 2019.

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 (ceased 5 June 2019)
Xi Xi

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
2019 final dividend – declared 22 August 2019	31.00	100%	58,064
2019 interim dividend – paid 17 April 2019	13.00	100%	24,386
2018 final dividend – paid 27 September 2018	40.00	100%	75,015
2018 interim dividend – paid 8 March 2018	25.00	100%	46,796

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 22 August 2019, the directors declared a final fully franked dividend for the year ended 30 June 2019 of 31.0 cents per share to be paid on 4 October 2019, a total estimated distribution of $58,064,000 based on the number of ordinary shares on issue as at 22 August 2019.

Sale arrangements for the Wodgina Lithium Project

On 26 July 2019, the Group announced that it had received unconditional approval from the China State Administration for Market Regulation (SAMR) for the binding Wodgina Sale Agreement with Albemarle Corporation (NYSE: ALB, Albemarle) as announced on 14 December 2018.

On 1 August 2019, the Group announced that it had entered into revised arrangements with Albemarle. Under the revised arrangements, the Group will increase the interest in the Wodgina Lithium Project to be sold to Albemarle from 50% to 60% and Albemarle and MRL will form a 60:40 joint venture to operate the Wodgina Lithium Mine and battery-grade lithium hydroxide production facilities. Albemarle will pay US$820 million in cash at closing and transfer a 40% interest in the first two lithium hydroxide conversion units currently being built by Albemarle in Kemerton, near Bunbury in Western Australia, which will be capable of processing spodumene produced at Wodgina.

Purchase agreement for Parker Range Project

On 21 August 2019, the Group announced that it had executed a binding heads of agreement with Cazaly Iron Pty Ltd (a wholly-owned subsidiary of Cazaly Resources Limited (ASX: CAZ, Cazaly) to purchase the assets that comprise the Parker Range Project in the Yilgarn region of Western Australia. The heads of agreement is conditional on MRL completing due diligence within 21 days; board approval of both parties; ministerial consent for the transfer of the tenements; and Cazaly shareholder approval as, and if, required. On completion, the purchase price payable by MRL to Cazaly Iron Pty Ltd for the assets is $20,000,000. MRL will also pay Cazaly Iron Pty Ltd a royalty of $0.50 for every dry metric tonne of iron ore extracted and removed from the area of the tenements payable after the first 10 million dry metric tonnes of iron ore have been extracted and removed from the area of the tenements.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

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

Information on Directors

Peter Wade

Title: Non-Executive Director
Appointment: 27 February 2006
Qualifications: BE (Hons) LGE

Experience and expertise: Peter has over 45 years of experience in engineering, construction, project management, 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, and operate projects including the Melbourne City Link, the Airport Link, the Northside Storage Tunnel and the Collinsville and Smithfield Power Plants.

Peter became Managing Director of Crushing Services International Pty Ltd and PIHA Pty Ltd in 1999, and subsequently Process Minerals International Pty Ltd in 2002 (now wholly-owned subsidiaries of Mineral Resources Limited).

He managed the companies through a sustained period of growth and development prior to the formation and listing of Mineral Resources Limited in 2006 at which time he was appointed Managing Director of the Group. He was subsequently appointed Executive Chairman in 2008 and Non-Executive Chairman in 2012.

Other current directorships: SRG Global Limited (ASX: SRG)

Former directorships (last 3 years): None

Special responsibilties: Chairman of Board of Directors

Interests in shares: 336,815

Interests in options: None

Chris Ellison

Title: Managing Director
Appointment: 27 February 2006

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

Other current directorships: Mesa Minerals Limited (ASX: MAS)

Former directorships (last 3 years): None

Special responsibilties: Managing Director

Interests in shares: 22,032,591

Interests in options: None

Kelvin Flynn

Title: Independent Non-Executive Director
Appointment: 22 March 2010
Qualifications: B Com, CA

Experience and expertise: Kelvin is a qualified Chartered Accountant with over 28 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.

Kelvin is the Managing Director of the specialist alternative funds manager Harvis, which focusses on investments in the real estate and real assets sectors. Kelvin is currently a Director of privately-held Global Advanced Metals Pty Ltd and a Non-Executive Director of Silver Lake Resources Limited.

Other current directorships: Silver Lake Resources Limited (ASX: SLR)

Former directorships (last 3 years): None

Special responsibilties: Chair of Audit Committee,
Member of Nomination Committee,
Member of Remuneration Committee

Interests in shares: 11,566

Interests in options: None

Information on Directors (Continued)

James McClements

Title: Lead Independent Non-Executive Director
Appointment: 29 May 2015
Qualifications: B Econ (Hons)

Experience and expertise: James has 35 years' experience in the mining industry as a banker and fund manager, financing projects globally. 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, Colorado. 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.

Other current directorships: None

Former directorships (last 3 years): None

Special Responsibilties: Member of Audit Committee,
Member of Nomination Committee,
Chair of Remuneration Committee

Interests in shares: 11,566

Interests in options: None

Tim Roberts

Title: Independent Non-Executive Director
Appointment: 17 November 2016
Ceased: 5 June 2019

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, through his family office, has established a private investment group that is significant and diverse, both domestically and internationally, with interests in private and listed equities, hedge funds, infrastructure, property, aviation, fishing and aquaculture. Tim has served as a board member of Crown Resorts Pty Ltd, the owner of Crown Casino and hotels in Western Australia.

Tim is a 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 responsibilties: Chairman of Board of Directors
Member of Audit Committee (1 July 2018 to 5 June 2019),
Member of Remuneration Committee (1 July 2018 to 5 June 2019),
Chair of Nomination Committee (1 July 2018 to 5 June 2019)

Interests in shares: None

Interests in options: None

Xi Xi

Title: Independent Non-Executive Director
Appointment: 11 September 2017

Experience and expertise: Xi Xi has more than 20 years of 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, focussed 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 (ceased 11 September 2017)

Special responsibilties: Member of Nomination Committee (1 July 2018 to 5 June 2019),
Chair of Nomination Committee (from 6 June 2019)

Interests in shares: 10,186

Interests in options: None

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

'Interest in shares' quoted above are as at the date of this report.

Company Secretaries

Mark Wilson joined Mineral Resources Limited as Chief Financial Officer in August 2018. Mark is an experienced senior executive with a strong track record in development and implementation of business strategy, balance sheet management, organisational design, project management, and transaction execution.

Mark has held senior positions in a number of Australian and international companies, including Laing O’Rourke, Multiplex and Brookfield Multiplex, where he led Multiplex’s listing on the ASX. Mark holds a Bachelor of Commerce (Finance) and Bachelor of Laws from the University of New South Wales, and has a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia (FINSIA).

Derek Oelofse has over 35 years' financial and commercial management experience in large private, governmental and listed entities based within Australia, South Africa and the United Kingdom. Derek has a Bachelor of Accounting and Bachelor of Commerce degree from the University of the Witwatersrand in South Africa, a Master of Business Administration from Henley Management College in the United Kingdom, and is a Fellow of the Institute of Chartered Accountants Australia and New Zealand. Derek joined Mineral Resources Limited in 2012 as Group Financial Controller and was appointed joint Company Secretary on 4 October 2018.

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 2019, and the number of meetings attended by each director were:

	Full Board		Audit Committee		Remuneration Committee		Nomination Committee	
	Attended	Held	Attended	Held	Attended	Held	Attended	Held
Peter Wade	16	16	n/a	n/a	n/a	n/a	n/a	n/a
Chris Ellison	16	16	n/a	n/a	n/a	n/a	n/a	n/a
Kelvin Flynn	14	16	3	3	3	3	3	3
James McClements	13	16	3	3	3	3	3	3
Tim Roberts*	14	16	3	3	2	3	3	3
Xi Xi	14	16	n/a	n/a	n/a	n/a	3	3

**Ceased 5 June 2019.*

Remuneration Report

Letter from the Remuneration Committee Chair

I am pleased to present the 2019 Financial Year Remuneration Report (remuneration report) for Mineral Resources Limited (MRL or the Company).

The 2019 Financial Year (FY19) has been a very successful year for the Company, as we continued to invest for the future. We progressed the development of our world-class lithium portfolio, with significant investment into our Wodgina project. In December, we announced an agreement with Albemarle Corporation, one of the world's largest lithium companies, to form a joint venture to develop the Wodgina Lithium Project further. We continued to grow our Mining Services business and expanded our iron ore business by commencing operations at Koolyanobbing. We also ensured a strong financial platform for continued growth with a debut 8 year unsecured notes offering in the United States. Our business model continued to demonstrate its resilience in the face of volatile lithium and iron ore prices at various times through the year.

The Remuneration Committee has reviewed in detail the remuneration practices of the Company. This followed the Company receiving a "strike" against its FY18 remuneration report. We actively engaged with shareholders and proxy advisors while working with multiple third-party advisors to ensure we understood in detail the concerns that prompted the "strike". Having listened and gathered substantial data, we have responded by implementing major remuneration policy changes for our next financial year, FY20. We have also sought to respond to feedback for better remuneration report clarity.

The major changes developed for FY20 also have regard to an increasingly tight labour market within the Western Australian resources industry. We trust that the changes to be introduced in FY20 will be considered a significant step in the right direction and we expect that we will continue to make changes in coming years to reflect best practices in the industry.

Investor feedback on FY18 remuneration

With the help of external specialists and following the 2018 AGM, the Company has sought to engage extensively with a selection of shareholders and with proxy advisors to understand fully the issues that led to a "strike" in 2018.

Feedback received in relation to the FY18 remuneration report recognised:

- The strong financial results of the Company delivered over many years
- The outstanding shareholder value created for investors over that period
- Alignment of the Company's remuneration structure with these results
- That the key financial measure of Return on Invested Capital (ROIC) was appropriate for the Long Term Incentive (LTI) plan.

However, we were also told that:

- Greater clarity regarding the strengths of the remuneration structure was required
- The Managing Director's remuneration, particularly his Fixed Annual Remuneration (FAR), was too high
- The weight allocated to financial KPIs within the Short Term Incentive (STI) scheme was too low, particularly for the Managing Director
- The LTI plan:
  - Was too narrowly-focussed on performance in the year of grant
  - Was subject to retesting at hurdle rates below those used to determine the initial grant
  - Contained one single absolute measure being Return on Invested Capital (ROIC) and that some investors preferred to have more than one measure.

Company responses to investor feedback and a strategic review of remuneration policy

The Board has resolved to amend executive remuneration arrangements with effect from FY20 in response to this feedback. These amendments are also intended to ensure strong alignment with the long-term interests of shareholders. Changes are set out in detail in this report and include changes to the remuneration arrangements of both the Managing Director and the other executive Key Management Personnel (KMP), as well as a redesign of the mechanics of the LTI plan.

Changes to Managing Director remuneration

In particular, I note that the Managing Director has offered to reduce his FAR to $1.2 million from $1.5 million from FY20. The Board has agreed to this change, despite the ongoing strategic and financial success of the Company.

This change reflects shareholder feedback preferring the Managing Director's FAR to be closer to the median of a peer group of comparable companies (rather than at the 75th percentile as had previously been decided), with higher levels of remuneration 'at risk' and able to be earned only through performance. Analysis also showed that the STI opportunity offered to KMP was below that offered elsewhere. As a consequence, in FY20 the STI opportunity for KMP will increase and a significant portion will be settled in equity and deferred over two years. Combined, these changes will mean all KMP will have a greater proportion of 'at-risk' pay as part of their total remuneration opportunity.

In addition to the change in his FAR, the Managing Director's STI Key Performance Indicators (KPIs) have been reweighted such that financial KPIs contribute to 40 per cent of scorecard outcomes, up from 25 per cent, and his STI restructured to enable stretch performance at up to 100 per cent of FAR.

Changes to LTI arrangements

Feedback from investor discussions suggested that the intent of our LTI scheme was appropriate, that is, to align the interest of participants with those of shareholders and focus attention on generating attractive returns on capital.

We had conflicting feedback regarding the reliance on a single measure, with some wishing to see a Total Shareholder Return (TSR) measure (absolute or relative) added to the calculation, but a substantial portion of shareholders argued against the use of TSR and preferred the retention of ROIC as a sole measure. We have decided, for now, to retain the focus on ROIC as the key driver of execution of our business strategy and feel there is strong alignment with shareholders, given the high level of equity ownership within the ranks of the directors and executives.

As noted above, investors also called for a simplification of the LTI plan.

After a review of alternative structures, the Company has decided to implement changes in the LTI arrangements from FY20 through the adoption of a new scheme. The new scheme will see grants made to participants annually that will vest after four years, subject to the Company's average ROIC through that period.

This approach is simpler and more consistent with common practice than our existing LTI scheme, without changing the intent of generating strong returns for shareholders over the long term.

The Board also reviewed the ROIC hurdle rates for vesting of LTI opportunity and following analysis of the Company's cost of capital, its historic performance and that of peers, has decided to maintain the existing challenging threshold of 12 per cent for any shares to vest and 18 per cent for full vesting for the FY20 grant. These hurdles will be reviewed annually before any new grant is made, recognising the long-term cyclical nature of our business.

Changes to STI arrangements

As noted above, the Company has identified that the current level of STI opportunity offered to KMP is well below the average offered at comparable peers. In FY20, the maximum STI opportunity for the Managing Director will be increased from 50 per cent to 100 per cent of his Fixed Annual Remuneration (FAR), and for other KMP from 40 per cent of their FAR to per cent.In addition, from FY20 any amounts declared under the STI programme above 50 per cent of FAR for the Managing Director and 40 per cent of FAR for other KMP will be settled in equity that will be released over the following two years, subject to ongoing service.

Retention of key executives

Retention of key executives has become a significant business risk for the Company, as a result of a period of increased activity within the resources sector.

The Board has considered a number of alternatives to address this risk. It has determined to make an allocation of equity to executives identified as crucial to the organisation's performance. While the arrangements will differ by individual employee, any such grant would vest subject to continuous service over four or more years, and be no more than 30 per cent of the employee's FAR at the date of grant. Only one grant would be made over the service period.

Some members of the KMP, but not the Managing Director, will participate in this programme. Where applicable, amounts awarded under this programme will be disclosed in the FY20 Remuneration Report.

FY19 outcomes and alignment

As noted above, FY19 has been a significant year for the Company for a number of reasons, including the substantial investment made in the development of Wodgina, and the strategically significant deal reached with Albemarle. Achievements during the year see the Company positioned very well for future growth on a number of fronts.

The majority of at-risk rewards available under the Company's remuneration structure come through the LTI plan, which is based on the Company's ROIC performance. Over the year, the Invested Capital of the Company for the purposes of this formula increased from $1.3 billion to $2.3 billion as a result of the significant investment made. The Company calculates ROIC using a year-end number for capital and on this basis, the FY19 ROIC was below 12 per cent. As a result, no LTI grant will be made with respect to the FY19 Assessment Year, with the potential loss to KMP in aggregate over $3.7 million.

Separately, the FAR for the Managing Director was unchanged during FY19, while the remaining executive KMP were all appointed during the year. Rewards made to the KMP under the STI plan were on average 79 per cent of the maximum, reflecting strategic and operational outcomes of the year. Further detail of these outcomes can be found in Section 5 of the Remuneration Report. Finally, no changes were made to non-executive remuneration during FY19.

In conclusion, we are satisfied that the FY19 remuneration outcomes reflected short-term strategic and financial performance. However, we have acted to amend remuneration from FY20 to ensure an appropriate focus on sustainable long-term performance in accord with our business strategy and industry pressures, while reflecting the need for simplicity, transparency, governance, and fairness, and responding to investor feedback.

As indicated by our response to last year's remuneration report, we value your feedback. I invite you to review the full report and thank you for your interest.

Yours faithfully

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

Remuneration Report (audited)

This Remuneration Report forms part of the Directors' Report for the year ended 30 June 2019 and has been audited in accordance with section 300A of the *Corporations Act 2001*.

The report addresses the following key areas:

Remuneration Report (audited)

1. Key Management Personnel

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 of that entity. In this report, a reference to an "Executive" or "Executives" is a reference to a KMP executive, including the Managing Director.

The following table outlines the KMP of the Group during the whole of FY19 and up to the date of this report, unless otherwise stated:

Executive KMP

Current

Chris Ellison	Managing Director
Mike Grey	Chief Operating Officer – Mining Services *(Appointed as COO – Mining Services on 6 May 2019)*
Rohan O'Grady	Chief Operating Officer – Construction *(Commenced as COO – Construction on 3 September 2018)*
Mark Wilson	Chief Financial Officer *(Commenced as CFO 27 August 2018)*

Former

Danny McCarthy	Chief Operating Officer *(Ceased employment on 30 November 2018)*
Scott Winter	Chief Operating Officer – Mining *(Commenced as COO – Mining on 9 October 2018 and ceased employment on 18 June 2019)*
Bruce Goulds	Chief Financial Officer *(Retired as CFO 6 December 2018)*

Non-Executive KMP

Current

Peter Wade	Non-Executive Chairman
Kelvin Flynn	Non-Executive Director
James McClements	Lead Independent Non-Executive Director
Xi Xi	Non-Executive Director

Former

Tim Roberts	Non-Executive Director *(Resigned 5 June 2019)*

2. Remuneration governance

2.1 Remuneration Committee Independence

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 (resigned 5 June 2019)

2.2 Role of the Remuneration Committee

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 that the Board and management may distribute to participants in the short-term incentive (STI) plan provided those individuals have achieved their agreed KPIs; and

(c) determining the eligibility and vesting of long-term incentive (LTI) awards.

The Remuneration Committee convened regularly throughout FY19 and invited senior management and external consultants' input as required. This is not reflected in the number of formal meetings reported.

2.3 External and independent advice

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

No remuneration recommendations as defined in Section 9B of the *Corporations Act 2001* were obtained during FY19.

2.4 Change in accounting approach for Share Based Payments

In FY17 and FY18, the value of share based payments was shown as the full face value of shares granted under each of FY17 and FY18's LTI plan. This has been changed in FY19 to comply with AASB 2 '*Share Based Payment'*, so that the cost of equity-settled transactions is measured at fair value on grant date and recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss and disclosed as remuneration for KMPs' Share Based Payments for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The effect of this change is shown at Table 6.2.

3. Remuneration strategy

3.1 The context in which we set our remuneration strategy

The Company's remuneration policy is designed to attract and retain directors and executives qualified to add value for our shareholders and reward executives for the delivery of our vision and purpose in line with our core values. The remuneration framework is structured to promote long-term sustainable growth of the Company by the delivery of a significant portion of remuneration in equity, aligning the senior leadership team with shareholders. The outcomes of the remuneration framework will help achieve the Company's vision to be recognised as a great Australian company that:

- is a leading provider of innovative and sustainable mining services;
- provides innovative and low cost solutions across the mining infrastructure supply chain;
- operates with integrity and respect; and
- works in partnership with our clients, our customers, our people and our community to achieve these objectives.

To create wealth for shareholders, we task our management team with employing the capital entrusted to them to sustain attractive rates of return, i.e. exceeding the long-term returns that could be achieved elsewhere at comparable levels of risk.

The Board has approved a strategy to deliver on this objective comprising:

- a core business as a mining services contractor;
- an owner and operator of mining-related infrastructure;
- an acquirer of significant profit share stakes in mineral projects with rights to operate the associated mines, for longer-term sustainability, higher capital efficiency and lower risk;
- recycling of capital; and
- a flexible balance sheet to fund organic growth to its mining services and mining infrastructure businesses, while retaining a level of agility for opportunistic growth opportunities as they arise.

The ability to execute this strategy in a way that creates attractive returns for shareholders is highly dependent on the quality of MRL's management and workforce.

More generally, MRL is now operating in a market with notably increased demand for executives at all levels. This increases the importance of ensuring there are adequate and effective retention mechanisms in place.

3.2 Remuneration principles

Given the above, the following principles guide the Company's KMP remuneration decisions:

- fairness and equity;
- transparency;
- promotion of a direct linkage between reward and performance;
- encouraging retention of key personnel over the longer term;
- alignment to promote mutually beneficial outcomes between employee, customer and shareholder interests;
- incentivise behaviour that optimises the return on invested capital by rigorous project selection and management practices;
- flexibility to optimise returns on capital by accommodating varying levels of investment and time horizons for returns to be achieved; and
- maintenance of the MRL culture and behaviours to promote innovation, safety, risk management, and social and environmental responsibility.

3.3 Market position for remuneration

As part of its review of remuneration practices for KMP during the year, the Company conducted a review of its market position for KMP remuneration that included examination of common practice within comparable businesses, external advice and input from investors and their advisors.

As a result of this review, for FY20 and in following years, fixed remuneration for KMP will be targeted at the 50th percentile of comparable roles, taking into account the experience and skills of the manager involved, while total remuneration, inclusive of fixed and at-risk remuneration, will be targeted up to the 75th percentile of comparable roles.

As a consequence, the remuneration positioning for the Managing Director that previously included fixed remuneration targeted at the 75th percentile, has been revised down towards the median.

Each of the balance of the KMP was recruited into the business during FY19 and their remuneration recognises their particular skills, experience and capability.

Comparator businesses

The Company's business model differs from others in the resources sector. Therefore, in determining the amount and mix of remuneration to offer, the Board considers remuneration on offer in a broad group of ASX-listed companies of a comparable size in terms of enterprise value and revenue with a particular focus on those in the commercial services and mining sectors.

The comparator group adopted currently comprises:

ALS Limited
Evolution Mining Limited
Maca Limited
Northern Star Resources Limited
Regis Resources Limited
Sims Metal Management Limited
Ausdrill Limited
Iluka Resources Limited
New Hope Corporation Limited
OceanaGold Corporation Limited
Resolute Mining Limited
Whitehaven Coal Limited
Downer EDI Limited
Independence Group NL
Newcrest Mining Limited
OZ Minerals Limited
Saracen Mineral Holdings Limited
WorleyParsons Limited

Remuneration Report (audited) (continued)

4. Remuneration framework

4.1 Remuneration framework

The table below outlines the remuneration framework that applied in FY19.

	Fixed remuneration	At-risk remuneration	
Element	Salary, superannuation & other fixed benefits	Short-Term Incentive (STI)	Long-Term Incentive (LTI)
Format	Cash	Cash	Share rights
Performance measures		Personal, business unit and corporate KPIs	Return on Invested Capital (ROIC)
Performance period		One year	Over 4 years [(a)]: • Initial grant based on 1 year ROIC (the Award Year) • Subsequent vesting subject to ROIC performance over the following 3 financial years (Assessment Years)
Link to MRL strategy	Serves to attract and motivate high calibre people to deliver on the business' immediate business objectives over a 12 month period		Recognises that we are a capital intensive business and management and shareholder wealth are created through achieving superior returns on capital deployed

[(a)] Vesting subject to sustained average ROIC at or above 12% for the Award Year and in average over the Performance Years

The timeline below illustrates how the components of KMP remuneration for FY19 will be delivered to the KMP. Details for each component are set out in section 4.3.

	FY19	FY20	FY21	FY22	FY23
FAR (Salary, superannuation & fixed benefits)	Paid throughout the year				
STI	Performance period (12 months)	Paid Aug 2019			
LTI	Total Performance (4 years)				
	Grant performance period (12 months) (Award Year) [(a)]	Performance period (Performance Years)			
		Total Performance (4 years)			
			1/3rd vested Aug 2020[(b)]	1/3rd vested Aug 2021[(b)]	1/3rd vested Aug 2022[(b)]
			Holding lock on all vested LTI to August 2022		

[(a)] As FY19's ROIC is less than 12% there is no LTI award for FY19

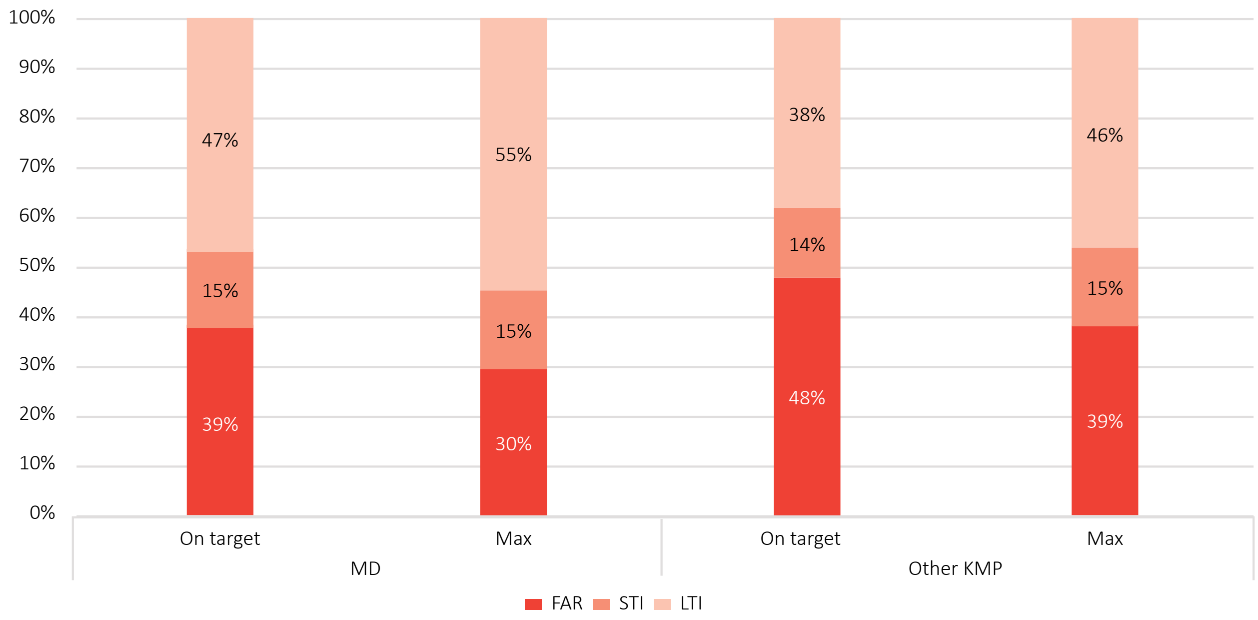
[(b)] Vesting subject to sustained average ROIC at or above 12% for the Award Year and in average over the Performance Years.

Remuneration Report (audited) (continued)

4.2 Remuneration mix

The mix of executive KMP fixed, short and long-term remuneration reflects the Company's remuneration strategy of holding substantial amounts of pay subject to service and performance so that it can only be maximised by sustained high levels of performance over rolling 4 year periods.

The table below summarises the 'on-target' and maximum remuneration mix applicable in FY19 for KMP.



4.3 Key components of remuneration

The tables below summarise the key components of executive KMP remuneration for FY19.

Composition	Fixed Annual Reward (FAR) comprises salary, superannuation and other fixed elements of remuneration such as vehicle allowances.
Determination	Fixed remuneration is determined based on market comparisons for similar positions, taking into account the experience and skills of the manager involved.
Review	FAR is determined on appointment and reviewed annually.

Remuneration Report (audited) (continued)

Short-Term Incentive

The key elements of the FY19 STI plan are as follows:

Purpose	Focus participants on delivery of business objectives over a 12 month period.	
Participation	All executive KMP, plus approximately 60 senior employees.	
Determining the STI pool	The Board reviews annually and sets the maximum STI pool, with reference to the overall performance of the Company. In FY19, the total STI pool for KMP executives and 60 senior employees was set at 3% of Net Profit After Tax, providing a strong alignment with shareholders. An amount up to, but no more than this amount, is then allocated to individual STI participants based on their individual performance measures (see below).	
Opportunity	For the Managing Director, the maximum STI reward has been set for FY19 at 50% of FAR, with on-target rewards at 75% of this amount, or 37.5% of FAR. For other members of the KMP, the maximum STI award for FY19 is 40% of FAR, with on-target rewards at 75% of this amount, or 30% of FAR.	
Performance period	Performance is measured from 1 July to 30 June.	
Individual performance measures	Performance measure and link to remuneration framework:	Example of metric used:
	Safety indicators: Safety is part of MRL's DNA. It is how we do things, and is embedded into our systems and processes. Our continuing success depends on our people and our ability to deliver quality results safely for our customers, our shareholders and each other. Safety outcomes are measured by the total recorded injury frequency rate (TRIFR).	Total recorded injury frequency rate, lost time injury frequency rate
	Strategic growth options: Growth through acquisitions and transactions that maximise value creation for shareholders while maintaining a strong balance sheet	Development of long-term, recurring income streams
	Operational efficiency and performance measures: MRL fosters an environment focussed on delivery and pioneering innovation. It is through this culture that a range of innovative products and processes have been developed, all of which are designed to facilitate increases in efficiency and lower costs.	Shipped tonnes and cost per tonne
	Financial management and performance targets: Ensuring MRL's financial position is adequate to support the growth agenda will set MRL up for future success.	Delivering budgeted/forecast results and various investment returns; strengthening balance sheet
	Organisational culture and development: Providing a harmonious and nurturing environment will allow our employees to reach their full potential.	Cultural development programme progress
	In addition to the above, a number of personal KPIs are measured to ensure alignment to business plans and to stretch levels of performance. The precise mix of metrics selected for each senior employee and KMP is configured to ensure they are linked to, and measurable against, business outcomes that he or she can influence, so that the assessment is both relevant and fair.	
STI awards limited to a maximum % of NPAT	The total amount of STI awards vary with profitability. The Board retains the discretion to set the STI pool, which in FY19 was capped at 3% of NPAT. At the Board's discretion the pool could be set at 0%, which ensures STI payments are in the best interests of shareholders.	
Payment	FY19 STI payments will be made in cash in August 2019, following the Board's authorisation of the Company's FY19 financial results.	
Rights on termination	To be eligible for payment, a participant in the STI must be employed by the Company on the date of payment. Any employee whose employment is terminated before the date of payment for whatever reason is not eligible for any STI payment.	
Clawback	The Board may, at its discretion, reduce or rescind any awards made under the STI for a period of up to two years following payment in the event that it determines payments have been made inappropriately, including in the instance of fraud, dishonesty, breach of duties, or misstatement or manipulation of financial information.	

Long-Term Incentive

The key elements of the FY19 LTI plan are as follows:

Purpose	Focus KMP and senior executives on: • achieving a high and sustained ROIC over the longer term (total 4 years) • encouraging agility and entrepreneurialism to seize opportunities for higher returns contingent on rapid capital deployment within shorter timeframes • alignment with shareholders' interests through shareholdings that must be held for up to 4 years.
Participation	KMP and senior executives are invited to participate in LTI Plan.
Payment vehicle	LTI grants are rights to MRL shares. Rights are automatically delivered as shares on vesting.
Performance period	Four years, the first being the Assessment Year (the year of initial grant, i.e. FY19 for the FY19 LTI plan) and the following three years, being the Performance Years, post the initial grant.
Opportunity	The maximum grant opportunity for the Managing Director is equal to 180% of FAR and 150% of FAR for other KMP.
Grant hurdle	The size of the grant to LTI participants is determined by company ROIC (see section 4.4) achieved by the Company during the Assessment Year. For ROIC that is: • Larger than 18% = LTI award is equal to 100% of the maximum grant opportunity as described above • Greater than or equal to 15% but less than 18% = 83% of the maximum grant opportunity • Greater than or equal to 12% but less than 15% = 67% of the maximum grant opportunity • Less than 12% = Nil
Vesting period	Rights granted under the LTI vest over 3 years after grant, with an opportunity for a third of the grant to vest in either the first, second or third year after grant, a third to vest in either the second or third year after grant and a third to vest in the third year after grant (see the remuneration timeline at section 4.1 Rights that vest in the first and/or second Performance Year remain in holding lock until the end of the third Performance Year. These are released from holding lock when performance hurdles are confirmed for third Performance Year, along with grants that may vest for that third Performance Period.
Vesting hurdles	For the first tranche to vest, ROIC in the first Performance Year following the Award Year, or the average ROIC over the first and second Performance Year, or the average ROIC over the first, second and third Performance Years must equal or exceed 12%. For the second tranche to vest, ROIC in the second Performance Year following the Award Year, or the average ROIC over the second and third Performance Years, must equal or exceed 12%. For the third tranche to vest, ROIC in the third Performance Year following the Award Year, must equal or exceed 12%. Where vesting hurdles are not met, either one, or all, affected tranches become a suspended tranche.
Suspended tranche	A suspended tranche is eligible to vest where the average ROIC for the Performance Year following the year in which the tranche became suspended, or the following two years if there are two suspended tranches, exceeds 12%.
Holding lock	All shares that vest under the LTI are released to participants for trading only after the release of the third financial year's results (i.e. the third Performance Year) and after assessing for the clawback policy. This provides an ongoing incentive for LTI participants to deliver value-adding growth for shareholders.
LTI grant allocation	A senior executive and KMP's LTI opportunity, expressed as a dollar amount, is divided by MRL share value, as determined by the Volume Weighed Average Price (VWAP) for the five trading days preceding the release of the financial results for each Award Year, to determine the number of MRL shares granted. In prior financial years the number of MRL share rights granted has been based on the VWAP to the 30 June of each year. This has been amended for FY19 to avoid differences in accounting and taxation valuations for participants.
Dividends	No dividends are paid to LTI participants on unvested MRL share rights. Dividends declared by the Company on vested shares subject to the holding lock are paid to the LTI participant, and participants can vote these shares (subject to the usual Corporations Act restrictions relating to the Remuneration Report etc.).
Clawback policy	The Board has the discretion to claw back previously vested LTI awards in the event that the Board concludes that such awards should not have vested due to: (a) fraud, dishonesty or fundamental breach of duties (including misstatement or manipulation of financial information) of any person; or (b) the intentional or inadvertent conduct of any person that the Board determines resulted in an unfair benefit being obtained by a participant.
Hedging	Hedging by senior executives or KMP, or the use of derivatives such as collars, caps or similar products in relation to MRL securities, including vested shares or unvested MRL share rights, allocated under MRL incentive schemes, is strictly prohibited.
Change of control/resignation/ retirement in the event of ill health	In the event of a change of control, resignation or retirement due to ill health, the Board may exercise its discretion to determining whether to vest any granted but unvested MRL share rights.
Board discretion	The Board retains the discretion to amend, vary, terminate or suspend the LTI Plan at any time. Any such variation, amendment, termination or suspension is not to adversely affect or prejudice rights of LTI participants holding MRL share rights at that time.

4.4 LTI performance measures

Calculating ROIC

ROIC is measured at a Group consolidated level, on the following basis:

ROIC = NOPAT/Invested Capital

Where:

Net Operating Profit After Tax (**NOPAT**) is calculated as the Company's statutory Earnings Before Interest and Taxes (EBIT) for the year, adjusted to remove the impact of changes to accounting policies (such as the treatment of operating leases), whether favourable or unfavourable, and after applying a flat 30% tax rate.

Invested Capital is calculated as the sum of Net Assets and Net Interest Bearing Debt at balance date adjusted for accumulative accounting policy adjustments.

Treatment of cash balances for the purposes of calculating ROIC

Strategic cash is defined as cash, over and above normal operational requirements, retained for future opportunities. The Board nominated strategic cash holdings ($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 retained to enable strategic growth and investment. As retention of strategic cash holdings is a Board decision that senior executives and KMP are unable to influence, the Board has determined it is reasonable not to require senior executives and KMP to earn a return on these facilities.

Why ROIC has been chosen to determine LTI awards

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, as:

   (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; and

   (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 invested capital, which again supports utilisation of ROIC as the most appropriate measure for assessing senior executives and KMPs' entitlement to LTI.

The use of ROIC and the target of 12% are designed to encourage strong longer-term performance of the Company.

5. Remuneration outcomes for FY19

5.1 Summary of FY19 Company performance

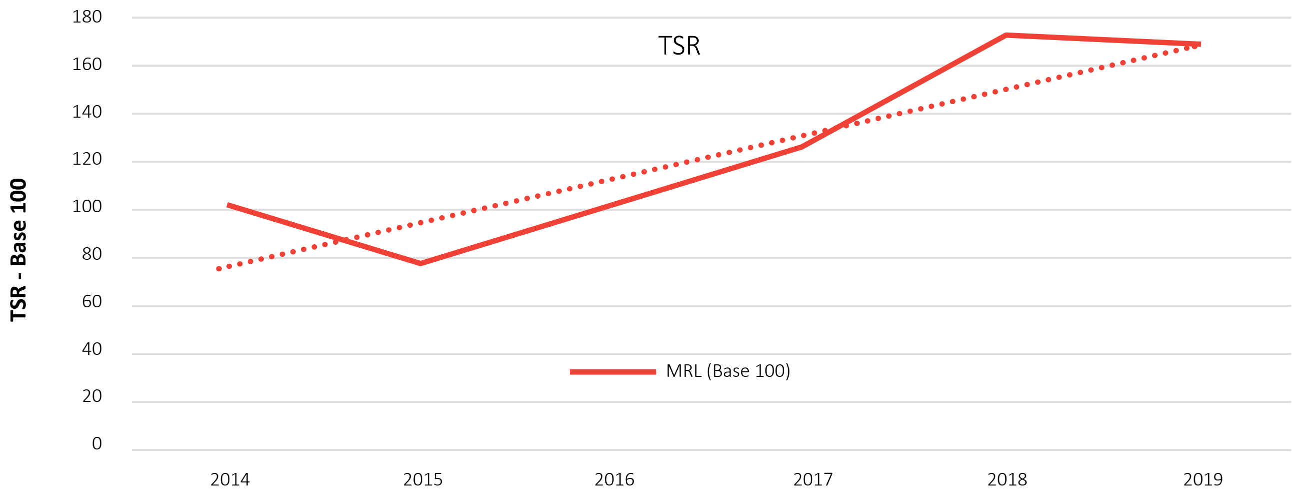
A summary of the Group's financial performance over the past five years is set out in the tables below. The relationship between the Group's financial performance, return to shareholders and KMP remuneration reflects the direct correlation between financial performance, shareholder value creation and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

Financial Summary ($millions unless otherwise stated)	2015[1]	2016	2017	2018	2019
Earnings					
Revenue	1,299	1,178	1,458	1,624	1,512
EBITDA	283	278	473	575	386
NPAT	78	(26)	201	272	165
Return on revenue	6%	-2%	14%	17%	11%
Return on Equity	7%	-3%	18%	21%	12%
ROIC	6.9%	-2.8%	20.1%	18.3%	9.7%
Diluted EPS (cents/share)	41.52	(13.31)	107.66	145.30	87.09

[1] 2015 Financial Year NPAT and Earnings Per Share exclude the impact of the reversal of Deferred Tax Asset on the abolition of the Minerals Resource Rent Tax (MRRT). NPAT for the 2015 Financial Year would be $12,814,000 and Diluted EPS 6.85c/share if the impact of MRRT were to be included.

Financial Year Ended 30 June	2015	2016	2017	2018	2019
Final dividend for the preceding financial year	0.3200	0.1500	0.2100	0.3300	0.4000
Interim dividend for the current financial year	0.0750	0.0850	0.2100	0.2500	0.1300
Total dividend paid	0.3950	0.2350	0.4200	0.5800	0.5300
Share price	6.60	8.31	10.85	16.00	14.98
Total Shareholder Return (TSR) (cumulative)	8.44	10.38	13.34	19.07	18.58

Remuneration Report (audited) (continued)



5.2 STI performance outcomes

Determining the STI pool for FY19

Based on the performance of the Company in FY19, the board assessed the maximum pool available for the STI incentive pool to be 3% of Net Profit After Tax, providing a total pool available to senior executives and KMP of $6.3 million. The final FY19 STI award for senior executives and KMP is less than the total pool.

KMP individual performance outcomes

The tables below summarise the STI performance outcomes for the executive KMP for FY19.

Managing Director

STI element	Weight	Performance			Comments
		Threshold	Target	Max	
Safety, governance and ESG	20%				Continued delivery of better than industry performance. Increased focus on Environmental, Social and Governance (ESG) reporting and governance processes
Strategic growth	20%				Development of lithium portfolio and partial realisation thereof. Positioning of Mining Services for longer-term annuity streams
Operational efficiency and performance	10%				Continued cost discipline
Financial management performance	20%				Financial flexibility to support longer-term capital investment, combined with operating earnings
Organisational culture and development	30%				Senior staff hiring and development, combined with ongoing cultural training
Total	100%				The Remuneration Committee determined that the MD's STI for FY19 would be set at 78% of his maximum opportunity.

Remuneration Report (audited) (continued)

Chief Financial Officer

STI element	Weight	Performance			Comments
		Threshold	Target	Max	
Safety, governance and ESG	25%				
Strategic growth	25%				
Financial management performance	25%				
Organisational culture and development	25%				
Total	100%				The Chief Financial Officer's STI for FY19 has been determined at 85% of his maximum opportunity.

Chief Operating Officer – Mining Services

STI element	Weight	Performance			Comments
		Threshold	Target	Max	
Safety, governance and ESG	20%				
Strategic growth	20%				
Operational efficiency and performance	10%				
Financial management performance	20%				
Organisational culture and development	30%				
Total	100%				The Chief Operating Officer – Mining Services' STI for FY19 has been determined at 85% of his maximum opportunity..

Chief Operating Officer – Construction

STI element	Weight	Performance			Comments
		Threshold	Target	Max	
Safety, governance and ESG	20%				
Strategic growth	20%				
Operational efficiency and performance	10%				
Financial management performance	20%				
Organisational culture and development	30%				
Total	100%				The Chief Operating Officer – Construction's STI for FY19 has been determined at 67% of his maximum opportunity.

5.3 LTI performance outcomes: FY19 grant

For FY19, the Company achieved a ROIC of 9.7%. This result was primarily driven by the substantial increase in the capital deployed into growth opportunities by the Company, mainly the Wodgina Lithium project of approximately $600 million, which represents an important investment for the future success of the Company.

Over the course of FY19, the Invested Capital increased by $992 million to $2.3 billion and, as with prior years, it is this closing balance that is adopted in calculating the Group's ROIC for the financial year. Consequently, as ROIC for FY19 is below the hurdle rate of 12%, no LTI grants have been made for FY19. As a comparison, the ROIC achieved using an average capital base rather than year-end was 12.5%.

$ Millions	FY14 Actual	FY15 Actual	FY16 Actual	FY17 Actual	FY18 Actual	FY19 Actual
NOPAT:						
EBITDA	554.1	283.0	278.2	473.5	575.2	385.9
Normalised [(a)]	-	-	-	-	(68.5)	46.8
EBITDA for ROIC	554.1	283.0	278.2	473.5	506.7	432.7
Less impairments	(18.2)	(44.5)	(186.2)	(16.7)	(65.4)	(9.8)
Less Depreciation and Amortisation	(196.7)	(126.9)	(134.0)	(160.2)	(112.9)	(108.6)
Net Operating Profit Before Tax	339.2	111.6	(42.0)	296.5	328.5	314.2
Less tax at 30%	(101.8)	(33.5)	12.6	(89.0)	(98.5)	(94.3)
NOPAT	237.4	78.1	(29.4)	207.6	229.9	220.0
Invested Capital:						
Net assets (per balance sheet)	1,139.3	1,082.2	1,008.7	1,132.1	1,304.6	1,380.2
Normalised (cumulative, net of tax) [(a)]	-	-	-	-	(47.9)	(14.8)
Net assets for ROIC	1,139.3	1,082.2	1,008.7	1,132.1	1,256.6	1,365.4
Net Debt	19.3	55.3	136.1	0.0	98.9	997.1
Total invested capital	1,158.6	1,137.4	1,144.7	1,132.1	1,355.5	2,362.5
Strategic cash holding	(100.0)	-	(100.0)	(100.0)	(100.0)	(100.0)
Net Invested Capital	1,058.6	1,137.4	1,044.7	1,032.1	1,255.5	2,262.5
ROIC %	22.4%	6.9%	-2.8%	20.1%	18.3%	9.7%

(a) Normalised for the impact of matters outside of the control of management, such as gains/losses on strategic investments where such investments are held at the discretion of the Board. Adjustments are also made to operating profits for the effect of new/revised accounting standards, where these adjustments are outside of management's day-to-day operational control.

5.4 LTI performance outcomes: earlier grants on-foot

FY16 Grant

A total of 47,796 MRL shares representing the fourth and final tranche of MRL share rights granted under the FY16 LTI scheme will be issued to eligible KMP on 23rd August 2019. The vesting of these shares is subject only to continued service.

FY17 Grant

Although FY19's ROIC is less than 12%, the average ROIC over FY18 and FY19 is 12.8%. As this exceeds 12% a total of 89,910 MRL shares, representing the second tranche of MRL share rights granted under the FY17 LTI scheme, will be issued to KMP on 23rd August 2019.

FY18 Grant

Due to FY19's ROIC being less than 12%, a total of 56,052 MRL shares, representing the first tranche of MRL share rights granted under the FY18 LTI scheme, will become a Suspended Tranche subject to Performance Hurdle testing in FY20 and will become eligible to vest in August 2020, along with Tranche 2 of the FY18 LTI scheme, provided the average ROIC for FY19 and FY20 exceeds 12%.

5.4.1 LTI grants - FY19 vesting and potential future vesting

												Rights to deferred shares:			
FY19	LTI Plan	Grant Date [1]	Performance Periods	No. of shares granted	Value of share granted at Grant Date [1] ($/share)	Value of shares granted at grant date ($)	No. vested in FY19	% vested in FY19	No. forfeited in FY19	% forfeited in FY19	Remaining, subject to vesting conditions	Financial Year in which shares may vest	No. of shares which may vest	Maximum Value yet to vest ($)
Chris Ellison	FY16[2]	18/08/2016	1/07/2016 to 30/06/2019	215,082	10.62	2,284,171	47,796	22%	-	-	47,796	FY20	47,796	507,594
	FY17[3]	16/08/2017	1/7/2016 to 30/6/2020	269,730	13.96	3,765,431	89,910	33%	-	-	179,820	FY20 FY21	89,910 89,910	1,255,144 1,255,144
	FY18[4]	15/08/2018	1/7/2017 to 30/6/2021	168,156	14.97	2,517,295	-	0%	-	-	168,156	FY20 FY21 FY22	- 112,104 56,052	- 1,678,197 839,098
	FY19[5]	22/08/2019	1/7/2018 to 30/6/2022	-	-	-	-	0%	-	-	-	FY20 FY21 FY22	- - -	- - -
Bruce Goulds	FY16[2]	18/08/2016	1/07/2016 to 30/06/2019	97,984	10.62	1,040,590	48,992	50%	-	-	-	-	-	-
	FY17[3]	16/08/2017	1/7/2016 to 30/6/2020	122,877	13.96	1,715,363	122,877	100%	-	-	-	- -	- -	- -
	FY18[4]	15/08/2018	1/7/2017 to 30/6/2021	76,605	14.97	1,146,777	76,605	100%	-	-	-	-	-	-

5.4.1 LTI grants - FY19 vesting and potential future vesting (continued)

												Rights to deferred shares:		
FY19	LTI Plan	Grant Date [1]	Performance Periods	No. of shares granted	Value of share granted at Grant Date [1] ($/share)	Value of shares granted at grant date ($)	No. vested in FY19	% vested in FY19	No. forfeited in FY19	% forfeited in FY19	Remaining, subject to vesting conditions	Financial Year in which shares may vest	No. of shares which may vest	Maximum Value yet to vest ($)
Danny McCarthy	FY16[2]	18/08/2016	1/07/2016 to 30/06/2019	95,592	10.62	1,015,187	44,343	46%	3,453	4%	-	-	-	-
	FY17[3]	16/08/2017	1/7/2016 to 30/6/2020	119,880	13.96	1,673,525	39,960	33%	42,112	35%	37,808	FY20	18,904	263,900
												FY21	18,904	263,900
	FY18[4]	15/08/2018	1/7/2017 to 30/6/2021	74,736	14.97	1,118,798	-	0%	64,293	86%	10,443	FY20	-	-
												FY21	6,962	104,221
												FY22	3,481	52,111
Mark Wilson	FY19[5]	22/08/2019	1/7/2018 to 30/6/2022	-	-	-	-	0%	-	-	-	FY19	-	-
												FY20	-	-
												FY21	-	-
Rohan O'Grady	FY19[5]	22/08/2019	1/7/2018 to 30/6/2022	-	-	-	-	0%	-	-	-	FY19	-	-
												FY20	-	
												FY21	-	
Michael Grey	FY19[5]	22/08/2019	1/7/2018 to 30/6/2022	-	-	-	-	0%	-	-	-	FY19	-	-
												FY20	-	-
												FY21	-	-

1. Grant date is the date at which the Annual Financial Statements are authorised by the Board for release to the market.
2. The FY16 LTI Plan vests in favour of participants provided participants remain employed with the Company over each of the Performance Periods.
3. FY17 was the Award Year for the FY17 LTI Plan (ROIC exceeded 12%). Each tranche of the FY17 LTI Plan vests in favour of participants provided participants remain employed with the Company over each of the subsequent Performance Periods (FY18 to FY20) and ROIC for each subsequent Performance Period (FY18 to FY20) equals or exceeds 12%. As the average ROIC for FY18 and FY19 exceeds 12% (the average being 12.8%) Tranche 2 of the FY17 LTI Plan vests in favour of participants who remained employed for all of FY19.
4. FY18 was the Award Year for the LTI Plan (ROIC for FY18 exceeded 12%). Each tranche of the FY18 LTI Plan vests in favour of participants provided participants remain employed with the Company over each of the subsequent Performance Periods (FY19 to FY21) and ROIC for each subsequent Performance Period (FY19 to FY21) equals or exceeds 12%. As ROIC for FY19 is less than 12%, Tranche 1 of the FY18 LTI Plan becomes a Suspended Tranche, subject to retesting if ROIC is equal to or exceeds 12% when averaged over the FY19 and subsequent (FY20 to FY21) Performance Periods.
5. FY19 was the Award Year for the FY19 LTI Plan. As ROIC for FY19 is less than 12% there is no LTI award for FY19.

6. KMP remuneration schedules

6.1 FY19 remuneration schedule

	Short-Term Benefits				Post-Employment Benefits	Share-based payments			
	Cash salary and fees $	Other[9] $	STI $	Non-Monetary $	Superannuation $	Value of LTI equity[10] $	NED remuneration[11] $	Total $	Performance related %
Non-Executive Directors									
Current[1]									
Peter Wade	125,000	-	-	-	23,750	-	125,000	273,750	-
Kelvin Flynn	70,000	-	-	-	13,300	-	70,000	153,300	-
James McClements	70,000	-	-	-	13,300	-	70,000	153,300	-
Xi Xi	83,300	-	-	-	-	-	70,000	153,300	-
Former									
Tim Roberts[2]	65,192	-	-	-	12,387	-	65,192	142,771	-
Executive Director									
Chris Ellison	1,500,000	-	585,000	68,436	20,531	847,276	-	3,021,243	47%

6. KMP remuneration schedules

6.1 FY19 remuneration schedule (continued)

	Short-Term Benefits				Post-Employment Benefits	Share-based payments			
	Cash salary and fees $	Other[9] $	STI $	Non-Monetary $	Superannuation $	Value of LTI equity[10] $	NED remuneration[11] $	Total $	Performance related %
Other Executives									
Current[1]									
Michael Grey[3]	107,692	-	35,863	-	-	-	-	143,555	25%
Rohan O'Grady[4]	535,769	-	154,615	-	19,235	-	-	709,619	22%
Mark WIlson[5]	916,346	250,000	250,913	32,104	20,531	-	-	1,469,894	17%
Former									
Bruce Gould[6]	656,963	820,000	-	-	10,266	1,221,095	-	2,708,324	45%
Danny McCarthy[7]	588,216	476,923	-	108,871	10,266	(506,713)	-	677,563	-75%
Scott Winter[8]	463,286	350,000	-	-	15,399	-	-	828,685	-
Total	5,181,764	1,896,923	1,026,391	209,411	158,965	1,561,658	400,192	10,435,304	
Current KMP subtotal	3,408,107	250,000	1,026,391	100,540	110,647	847,276	335,000	6,077,961	
Former KMP subtotal	1,773,657	1,646,923	-	108,871	48,318	714,382	65,192	4,357,343	
Total	5,181,764	1,896,923	1,026,391	209,411	158,965	1,561,658	400,192	10,435,304	

1. Current as at the date of this Remuneration Report (22 August 2019)
2. Tim Roberts resigned on 5 June 2019. Fees shown are for the period 1 July 2018 to 5 June 2019.
3. Michael Grey was appointed Chief Operating Officer- Mining Services on 6 May 2019. Remuneration disclosed is for period from appointment 6 May 2019 to 30 June 2019. Michael Grey's total STI for FY19 was $237,346. The STI value shown in the table above represents a pro-rata portion of his FY19 STI for the period for which he was a KMP.
4. Rohan O'Grady commenced as Chief Operating Officer- Construction & Development on 3 September 2018. Remuneration is for the period 3 September 2018 to 30 June 2019.
5. Mark Wilson commenced as Chief Financial Officer on 27 August 2018. Remuneration is for the period 27 August 2018 to 30 June 2019.
6. Bruce Goulds retired as Chief Financial Officer on 6 December 2018. Remuneration is for the period 1 July 2018 to 6 December 2018.
7. Danny McCarthy resigned as Chief Operating Officer on 30 November 2018. The negative value shown for LTI equity represents the value of LTI forfeited on resignation. Remuneration is for the period 1 July 2018 to 30 November 2018.
8. Scott Winter commenced as Chief Operating Officer- Commodities on 9 October 2018. He resigned on 18 June 2019. Remuneration is for the period 9 October 2018 to 11 June 2019.9. FY19 was the Award Year for the FY19 LTI Plan. As ROIC for FY19 is less than 12% there is no LTI award for FY19.
9. Termination entitlements for Bruce Goulds, Danny McCarthy and Scott Winter, and joining bonus for Mark Wilson
10. Refer to section 4 for details of the long-tern incentive (LTI) scheme. The amounts for the value of LTI equity represents the expense over the performance period calculated in accordance with Australian Accounting Standards and includes the FY16, FY17 and FY18 LTI schemes which continue to be expensed in FY19 based on the probability of vesting, as these shares are subject to performance and forfeiture conditions.
11. Equity component of Non-Executive Directors' (NED) remuneration. NED 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.

6.2 FY18 remuneration schedule

	Short-Term Benefits			Post-Employment Benefits	Share-based payments			
	Cash salary and fees $	STI $	Non-Monetary $	Superannuation $	Value of LTI equity[2] $	NED remuneration[3] $	Total $	Performance related %
Non-Executive Directors								
Peter Wade	125,000	-	-	20,049	-	125,000	270,049	-
Kelvin Flynn	70,000	-	-	13,300	-	70,000	153,300	-
James McClements	70,000	-	-	13,300	-	70,000	153,300	-
Tim Roberts	70,000	-	-	13,300	-	70,000	153,300	-
Xi Xi[1]	66,868	-	-	-	-	56,192	123,060	-
Executive Director								
Chris Ellison	1,500,000	375,000	77,264	20,049	2,564,864	-	4,537,177	65%
Other Executives								
David Geraghty	675,000	177,188	30,335	20,049	559,280	-	1,461,852	50%
Bruce Goulds	820,000	246,000	-	20,049	1,185,300	-	2,271,349	63%
Danny McCarthy	735,000	160,000	179,400	20,049	1,128,889	-	2,223,338	58%
	4,131,868	958,188	286,999	140,145	5,438,333	391,192	11,346,725	

1. Appointed 11 September 2017.

2. Refer to section 4 for details of the long-tern incentive (LTI) scheme. The amounts for the value of LTI equity represents the expense over the performance period calculated in accordance with Australian Accounting Standards and includes the FY16, FY17 and FY18 LTI schemes which would have been expensed in FY18 based on the probability of vesting, as these shares are subject to performance and forfeiture conditions. The amounts for the value of LTI equity disclosed previously in the FY18 remuneration report represented the expense based on the face value of shares granted under the FY18 LTIP, being:

   - Chris Ellison: $2,700,000 - Bruce Goulds: $1,200,000 - David Geraghty: $1,230,000 - Danny McCarthy: $607,500

   As these amounts previously disclosed and expensed in FY18 at face value are not materially different from that expensed over the performance period, the comparatives for share based payments expense in the financial statements have not been restated.

3. Equity component of Non-Executive Directors' (NED) remuneration. NED 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.

7. Key changes to remuneration for FY20

During FY19, MRL commissioned independent research with respect to the level and mix of remuneration offered to the Managing Director in the context of the peer group as outlined above in section 3.3 above. Drawing on this analysis and feedback received from investors, the amounts and mix of remuneration for the Managing Director (MD) was amended with effect from FY20.

The tables below summarise where changes will be made to the key components of remuneration in FY20 for KMP. No changes will be made to the remuneration of non-executive KMP, which was last adjusted on 1 July 2017.

Fixed Annual Remuneration (FAR)

Review	Following a review of peer company remuneration, the Managing Director has voluntarily agreed to reduce his FAR by \$300,000 to \$1,200,000 commencing 1 July 2019. This change is expected to bring the Managing Director's FAR close to the middle of the peer group in FY20. Reflecting market pressures, the FAR for the Chief Financial Officer and for the Chief Operating Officer – Mining Services will be increased from 1 September 2019 to \$950,000 and \$850,000 respectively. These increases reflect additional responsibilities and ongoing high performance.

Short-Term Incentive

The key changes to the STI plan effective in FY20 are as follows:

Opportunity	For the Managing Director in FY20, the maximum STI reward will be increased to 100% of FAR, with an on-target amount equal to 75% of this amount, or 75% of FAR. This adjustment is made in conjunction with the reduction to FAR described above and is expected to bring the Managing Director's STI opportunity into line with those on offer at remuneration peers in the listed Industrial and Metals & Mining sectors. For other members of the KMP, the maximum STI will be increased from 40% to 80%, consistent with that offered at remuneration peers relative to the comparator businesses mentioned above.
Weighting	The Managing Director's STI Key Performance Indicators (KPIs) will be reweighted such that financial KPIs contribute to 40% of scorecard outcomes, up from 25%, while financial KPIs for other KMP will also be increased, to 30%
Payment	For payments made in relation to FY20 and following, any awards made under the STI plan to KMP that exceed 50% of FAR for the Managing Director or 40% of FAR for other KMP, will be settled in the form of MRL shares that will vest progressively over the two years following grant, subject to continued service and application of clawback provisions.

Long-Term Incentive

The key changes to the LTI plan effective in FY20 are as follows:

Maximum LTI Opportunity	The maximum LTI opportunity for the Managing Director of 180% of FAR and for the rest of the KMP of up to 150% of FAR will remain unchanged in FY20, despite a fall in the Managing Director's FAR in FY20 as noted above.
Grant date	A grant under the LTI for FY20 is expected to be made in August 2019. Rights granted under the LTI at this time will vest after four years in November 2023, subject to meeting Performance Measures and continued service.
LTI grant value	An amount equal to the maximum LTI opportunity will be granted to each LTI participant and will vest subject to performance. The number of Rights to be issued to KMP will be determined using the following formula: LTI rights issued = (FAR x Maximum LTI Opportunity)/VWAP Where 'VWAP' is the five-day Volume Weighted Average Price to the Grant date.
Performance period	For the purposes of the LTI, performance will be measured over four consecutive years with the first year being the year in which the LTI grant is made. For grants made in FY20, the Performance Period will be FY20 – FY23 inclusive

Remuneration Report (audited) (continued)

Long-Term Incentive (continued)

Performance measure	ROIC will continue to be the performance measure used to determine LTI awards, however the number of shares that will vest to LTI participants will now be subject to the four-year average ROIC enjoyed by the Company over the Performance Period compared with hurdles set in advance by the Board. The four-year average ROIC will be determined as follows: Four-year average ROIC = Cumulative 4 year NOPAT/Cumulative 4 year Invested Capital Further discussion of the calculation of ROIC is included in Section 4.4
Vesting hurdle	The amount of shares that vest at the end of the Performance Period will be determined by reference to the following hurdles set by the Board. **4 year average ROIC achievement** / **% of maximum LTI opportunity** Less than 12% / Nil Between 12% and 18% / Pro-rata between 67% & 100% 18%+ / 100% The hurdle rates noted above have not changed from FY19, however performance between 12% and 18% is now pro-rated, rather than a step function, to better align outcomes for participants with shareholders. In the past the rewards for each level of performance have been expressed as a percentage of the on-target amount, rather than the maximum (i.e. 12% ROIC meant a grant of 100% of the on-target LTI). While the above table moves to the more widely used percentage of maximum format, the amounts on offer as a percentage of FAR at each level of performance have not changed.
Vesting period	All shares will vest, subject to performance, four years after the grant date.
Holding lock	As no shares will vest for four years from Grant Date under the revised LTI and in recognition of the introduction of a minimum shareholding policy for KMP, a holding lock will no longer apply to shares issued under the revised LTI. Shares that vest under LTI plans up to and including FY19 will continue to be subject to the holding locks in place under previous LTI plans.
Dividends	To provide KMP with greater alignment to shareholder returns, including dividends, any shares that vest under the revised LTI (FY20 onwards) will include the value of dividends that have accrued on those shares since the grant date.

The timeline below illustrates how the components of KMP remuneration for FY20 will be delivered to the KMP:

	FY20	FY21	FY22	FY23	FY24
FAR (Salary, superannuation & fixed benefits)	Paid throughout the year				
STI	Performance period (12 months)	STI less than 40% of FAR (50% for MD) paid Aug 2020. Any excess over 40% of FAR (50% for MD) deferred to Aug 2021 and 2022	Half of deferred portion paid Aug 2021	Half of deferred portion paid Aug 2022	
LTI	Total Performance (4 years)				
	Performance period (Performance Years)				
		Total rights determination period (4 years)			
		25% rights determined Aug 2021[a]	25% rights determined Aug 2022[a]	25% rights determined Aug 2023 [a]	25% rights determined Aug 2024 [a]
		Rights convert to shares Aug 2024 and in Sep/Oct 2024 to shares/cash for dividend entitlements			

[a] Subject to overall ROIC performance in excess of 12% for the Performance Period.

Remuneration mix

On-target remuneration mix	As a result of the changes discussed above, the on-target remuneration mix for the Managing Director for FY20 will be FAR 34% STI 25% LTI 41%. The on-target remuneration mix for other KMP will be FAR 38% STI 24% LTI 38%.
Maximum remuneration mix	As a result of the changes discussed above, the remuneration mix for the Managing Director for FY20 at maximum STI and LTI allocation will be FAR 26% STI 26% LTI 48%. The remuneration mix for other KMP at maximum STI and LTI allocation will be FAR 30% STI 24% LTI 46%.

Other changes

Introduction of minimum shareholding guideline	A minimum shareholder policy will be introduced requiring KMP to hold or make reasonable progress towards holding shares in MRL equal to or greater than the KMP's FAR. The minimum shareholding policy has been put in place to ensure KMP have a meaningful exposure to the long-term share price performance of the Company and to align their interests with those of shareholders. The minimum holdings are as follows: Managing Director: 200% FAR Other KMP: 100% FAR Non-Executive Directors: One financial year's fees
Retention arrangements	In the face of tightening employment market conditions, the Company has undertaken a review of alternatives to encourage retention of staff considered vital to the Company's ongoing success. A number of initiatives to encourage retention will be put in place in FY20 to address this risk including the allocation of equity to executives identified as critical to the organisation's performance. Any such grant would vest subject to service over four or more years following grant and be no more than 30% of the employee's FAR at the date of grant. Only one grant would be made over the service period. While the majority of participants in such a scheme are expected to be outside the ranks of KMP, this retention mechanism may be applied to KMP, with any such awards disclosed in the relevant Remuneration Report.

8. Summary of KMP employment conditions

8.1 Executives

The table below summarises the employment agreements in place with executive KMP as at the date of this report.

KMP	Term of agreement	FAR	Notice period: KMP and MRL	Termination entitlements[1]
Chris Ellison (MD)	Full time – permanent	$1,200,000	1 year	Notice period per contract and severance entitlements as per National Employment Standards
Michael Grey (COO)	Full time – permanent	$700,000	3 months	Notice plus one month base salary
Rohan O'Grady (COO)	Full time – permanent	14%	6 months	Notice plus one month base salary
Mark Wilson (CFO)	Full time – permanent	18%	6 months	Notice plus one month base salary

1. Should this amount be a value that requires shareholder approval then it can be reduced to maximum permissible amount without shareholder agreement.

8.2 Non-Executive Directors

Non-Executive Director remuneration remains unchanged from that disclosed in FY18 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.

Remuneration Report (audited) (continued)

9. Shareholdings

9.1 KMP shareholding

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 FY19 LTI vesting considerations	FY19 Directors Fees	Other Additions	Disposals/ other	Balance at the end of the year
Non-Executive Directors						
Peter Wade[1]	328,656	-	-	-	-	328,656
Kelvin Flynn[1]	6,997	-	-	-	-	6,997
James McClements[1]	6,997	-	-	-	-	6,997
Xi Xi[1]	5,617	-	-	-	-	5,617
Former						
Tim Roberts	6,997	-	4,267	-	(11,264)	-
Executive Director						
Chris Ellison	21,265,668	137,706	-	629,217	-	22,032,591
Other KMP						
Current						
Mark Wilson	-	-	-	8,670	-	8,670
Rohan O'Grady	-	-	-	-	-	-
Michael Grey	-	-	-	-	-	-
Former						
Bruce Goulds	107,391	122,877	-	-	(230,268)	-
Danny McCarthy	47,796	63,858	-	-	(111,654)	-
Scott Winter	-	-	-	-	-	-
	21,776,119	324,441	4,267	637,887	(353,186)	22,389,528

[1] Shares paid to Non-Executive Directors as part of their remuneration package were issued post the financial year end.

10. Transactions with related parties

The following transactions occurred with related parties:

Key Management Personnel / directors' interests:	2019 $	2018 $
Properties from which some of the Group's operations are performed are rented from parties related to Chris Ellison and Peter Wade.	(2,026,840)	(1,938,936)

Occupation of these premises date back prior to the Company's listing in 2006. The ongoing need for occupation of these premises, as well as rental arrangements, are assessed periodically. The Group has a Related Party Transaction Policy that requires the review and approval of Related Party Transactions by the Audit and Risk Committee (the Committee). A resolution is required by the Company's Board of Directors (where applicable, excluding those involved in the Related Party Transaction) to confirm that the transaction is on terms not materially less favourable than terms generally available from an unaffiliated third party under the same or similar circumstances.

This concludes the Remuneration Report, which has been audited.

Remuneration Report (audited) (continued)

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 37 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 37 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*.

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

Chris Ellison
Managing Director
22 August 2019
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 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 22 August 2019

JAMES KOMNINOS
Partner

Financial Statements

Statement of profit or loss and other comprehensive income for the year ended 30 June 2019

		Group	
	Note	2019 $'000	2018 $'000
Revenue	4	1,511,975	1,624,431
Other income	5	10,572	85,619
Expenses			
Changes in closing stock		60,364	96,454
Raw materials and consumables		(165,555)	(149,252)
Equipment costs		(60,248)	(72,581)
Subcontractors		(106,574)	(149,153)
Employee benefits expense		(278,141)	(225,159)
Transport and freight		(431,742)	(518,937)
Depreciation and amortisation	6	(108,634)	(112,876)
Impairment charges	6	(9,809)	(65,365)
Other expenses	6	(152,323)	(112,862)
Finance costs	6	(33,877)	(10,090)
Profit before tax		236,008	390,229
Income tax expense	7	(71,020)	(118,381)
Profit after tax for the year		164,988	271,848
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net gain on cash flow hedges		5,209	290
Other comprehensive income for the year, net of tax		5,209	290
Total comprehensive income for the year		170,197	272,138
Profit for the year is attributable to:			
Non-controlling interest		1,319	(650)
Owners of Mineral Resources Limited		163,669	272,498
		164,988	271,848
Total comprehensive income for the year is attributable to:			
Non-controlling interest		1,319	(650)
Owners of Mineral Resources Limited		168,878	272,788
		170,197	272,138
		Cents	**Cents**
Basic earning per share	8	87.09	145.30
Diluted earnings per share	8	87.09	145.30

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

Statement of financial position as at 30 June 2019

		Group	
	Note	2019 $'000	2018 $'000
Assets			
Current assets			
Cash and cash equivalents	9	265,399	240,406
Trade and other receivables	10	167,466	101,838
Inventories	11	180,126	132,189
Current tax assets		54,413	33,607
Other	12	35,401	14,531
		702,805	522,571
Assets held for sale	13	503,970	-
Total current assets		1,206,775	522,571
Non-current assets			
Receivables	14	39,976	250
Financial assets	15	75,149	118,113
Property, plant and equipment	16	1,300,578	972,531
Intangibles	17	84,811	69,302
Exploration and mine development	18	408,512	364,484
Deferred tax	7	45,456	38,084
Total non-current assets		1,954,482	1,562,764
Total assets		3,161,257	2,085,335
Liabilities			
Current liabilities			
Trade and other payables	20	259,441	261,571
Borrowings	21	55,269	63,852
Employee benefits	22	35,565	42,176
Provisions	23	11,422	7,115
		361,697	374,714
Liabilities directly associated with assets classified as held for sale	13	63,092	-
Total current liabilities		424,789	374,714
Non-Current liabilities			
Borrowings	21	1,081,715	175,437
Deferred tax	7	185,572	165,736
Provisions	23	88,975	64,882
Total non-current liabilites		1,356,262	406,055
Total liabilities		1,781,051	780,769
Net assets		1,380,206	1,304,566
Equity			
Issued capital	24	507,855	511,188
Reserves		16,110	1,442
Retained profits		837,255	774,126
Equity attributable to the owners of Mineral Resources Limited		1,361,220	1,286,756
Non-controlling interest		18,986	17,810
Total equity		1,380,206	1,304,566

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

Statement of changes in equity for the year ended 30 June 2019

	Issued capital	Reserves	Retained profits	Non-controlling interest	Total equity
Group	$'000	$'000	$'000	$'000	$'000
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
Transactions with owners in their capacity as owners:					
Share issued under Dividend Reinvestment Plan (note 24)	6,493	-	-	-	6,493
Employee share awards issued (note 24)	2,247	-	-	-	2,247
Aquisition of subsidiary	-	-	-	98	98
Dividends paid (note 25)	-	-	(108,502)	-	(108,502)
Balance at 30 June 2018	511,188	1,442	774,126	17,810	1,304,566

	Issued capital	Reserves	Retained profits	Non-controlling interest	Total equity
Group	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2018	511,188	1,442	774,126	17,810	1,304,566
Prior period remeasurement on adoption of AASB 15 (note 1(w))	-	-	(1,139)	-	(1,139)
Balance at 1 July 2018- restated	511,188	1,442	772,987	17,810	1,303,427
Profit after tax for the year	-	-	163,669	1,319	164,988
Other comprehensive income for the year, net of tax	-	5,209	-	-	5,209
Total comprehensive income for the year	-	5,209	163,669	1,319	170,197
Transactions with owners in their capacity as owners:				-	5,209
Share issued under Dividend Reinvestment Plan (note 24)	5,879	-	-	-	5,879
Purchase of shares under employee share plans (note 24)	(18,922)	-	-	-	(18,922)
Equity settled share-based payments	-	20,904	-	-	20,904
Employee share awards issued (note 24)	9,710	(11,445)	-	-	(1,735)
Other	-	-	-	(143)	(143)
Dividends paid (note 25)	-	-	(99,401)	-	(99,401)
Balance at 30 June 2019	507,855	16,110	837,255	18,986	1,380,206

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

Statement of cash flows as at 30 June 2019

	Note	Group 2019 $'000	Group 2018 $'000
Cash Flows from operating activities			
Receipts from customers		1,449,353	1,654,505
Payments to suppliers and employees		(1,180,078)	(1,115,832)
		269,275	538,673
Interest received		2,469	3,522
Interest and other finance costs paid		(19,445)	(9,430)
Income taxes paid		(66,200)	(121,337)
Net cash from operating activities	9(b)	186,099	411,428
Cash flows from investing activities			
Payments for investments		(3,388)	(14,905)
Proceeds from disposal of investment		4,000	9,763
Payments for property, plant and equipment		(686,638)	(259,713)
Proceeds from disposal of property, plant and equipment		16,808	7,739
Payments for intangibles		(17,829)	(11,704)
Payments for exploration and evaluation		(43,534)	(3,791)
Payments for mine development expenditure		(62,144)	(66,920)
Payment for increased investment in joint operations		(44,405)	-
Amounts received from joint operations		6,754	6,754
Amounts advanced to other parties		(10,000)	-
Net cash used in investing activities		(840,376)	(332,777)
Cash flows from financing activities			
Dividends paid		(93,518)	(102,009)
Proceeds from borrowings		1,671,457	110,000
Repayment of borrowings		(796,750)	(166,191)
Payment of finance lease liabilities		(82,731)	(58,122)
Purchase of shares under employee share plans		(18,922)	-
Net cash from/(used in) financing activities		679,536	(216,322)
Net increase/(decrease) in cash and cash equivalents		25,259	(137,671)
Cash and cash equivalents at the beginning of the financial year		240,406	378,169
Effects of exchange rate changes on cash and cash equivalents		(266)	(92)
Cash and cash equivalents at the end of the financial year	9(a)	265,399	240,406

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

Notes to the financial statements 30 June 2019

Basis of preparation

Key balance sheet items

Unrecognised items

Other information

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 acounting 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.

1.2 Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company as at 30 June 2019 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.

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.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

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 re-assessment 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.

(c) Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when, or as, each performance obligation is satisfied, in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer, and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

(i) Sale of goods

The Group earns revenue by mining, processing, and subsequently selling commodity products (including iron ore and lithium) by export to customers under a range of commercial terms.

Revenue from the sale of product is recognised at the point in time when control has been transferred 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. Within each contract to sell commodity products, each unit of product shipped is a separate performance obligation. Revenue is generally recognised at the contracted price at this reflects the stand-alone selling price.

The Group's sales agreements may provide for provisional pricing of sales with pricing 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 price at the end of each reporting period with the impact of the 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. The effect of variable consideration arising from these arrangements with customers is included in revenue to the extent that it is highly probable that there will be no significant reversal of the cumulative amount of revenue recognised when any pricing uncertainty is resolved.

The Group sells the majority of its commodity products on CFR (Cost and Freight) or CIF (Cost, Insurance and Freight) Incoterms which means that the Group is responsible for providing freight services and, in CIF instances, insurance after the date at which title of the goods passes. The Group therefore has separate performance obligations for freight/insurance services provided for sale of products under CFR and CIF incoterms. Freight/insurance revenue is allocated from the overall contract price at its standalone selling price (where observable) or otherwise at its estimated cost plus margin. The recognition of freight/insurance revenue is deferred until the product is delivered rather than when the product is shipped.

The Group does not disclose sales revenue from freight and insurance services separately as it does not consider that this is necessary in order to understand the impact of economic factors on the Group; and the Group's Chief Operating Decision Makers (as defined in the operating segments note 3) do not review information specifically relating to these sources of revenue in order to evaluate the performance of business segments, neither is information on these sources of revenue provided externally.

The Group applies the practical expedient in AASB 15 paragraph 121 for its freight/insurance services and does not disclose information on the transaction price allocated to performance obligations that remain unsatisfied at the end of the reporting period as the performance obligations arising under sales arrangement for its commodity products have an original expected duration of one year or less.

(ii) Rendering of services

The Group's Mining Services & Processing segment earns contract and operational revenue from the provision of a range of mining services, including crushing services.

Note 1. Significant accounting policies (continued)

Revenue from mining services is recognised over time as the services are rendered. As mining services are invoiced on a monthly basis based on the actual services provided or at cost plus margin incurred to date, the Group has used the practical expedient available under AASB 15 to recognise revenue based on the right to invoice, on the basis that the invoiced amount corresponds directly with the value to the customer of the Group's performance completed to date.

For crushing service contracts specifically, each tonne of ore crushed represents a separate performance obligation. Revenue from the rendering of crushing services is measured and recognised as each tonne is crushed based on a schedule of rates that is invoiced to the customer, being the estimate of the price to which the Group expects to be entitled, and a corresponding trade receivable is recognised. Mobilisation demobilisation charges on crushing service contracts constitute variable charges that will be associated and allocated to each tonne crushed (each performance obligation) and therefore recognised based on the actual tonnes crushed each period, rather than when invoiced.

The Group applies the practical expedient in AASB 15 paragraph 121 for its mining services revenue and does not disclose information on the transaction price allocated to performance obligations that remain unsatisfied at the end of the reporting period as these are not material.

(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.

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.

(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

(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.

(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 26(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 others 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.

(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.

(h) Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal.

For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

Note 1. Significant accounting policies (continued)

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of the non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

(i) 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.

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:

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

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

Subsequent costs

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

Revaluation

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

(j) 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.

(k) 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.

(l) 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.

(m) 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.

Stripping (waste removal) costs

As part of its mining operations, the Group incurs stripping (waste removal) costs both during the development phase and production phase of its operations.

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, 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 a "component" of the ore body is expected to be constant throughout its estimated life. A "component" is a specific section of the orebody that is made more accessible by the stripping activity. It will typically be a subset of the larger orebody that is distinguished by a separate useful economic life.

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

(i) All costs are initially charged to profit or loss and classified as operating costs

(ii) When the current ratio of waste to ore is greater than the estimated life-of-component strip ratio, a portion of the stripping costs (inclusive of an allocation of relevant overhead expenditure) is capitalised to mine development as a stripping activity asset

(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-component strip ratio. The stripping activity asset is amortised on a units-of-production method over the life of the component, unless another method is more appropriate.

Life-of-component strip ratios are based on estimates of ore reserves and resources and the latest approved mine plan; they are a function of the mine design and therefore changes to that design will generally result in changes to the ratios. Changes to the estimated life-of-mine ratio are accounted for prospectively from the date of the change

(n) 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.

Note 1. Significant accounting policies (continued)

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.

(o) 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

(p) 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.

(q) 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.

Share-based payments

Certain employees may be entitled to participate in employee share schemes, as set out in note 36. Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date and recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

Employee share trust

The Group has in place a trust to administer the Group's employee share and share option schemes. This trust is consolidated, as the substance of the relationship is that the trust is controlled by the consolidated entity. Shares held by the Mineral Resources Employee Share Trust are disclosed as treasury shares and deducted from contributed equity.

(r) Fair value measurement

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

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

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

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

(s) 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.

(t) Dividends

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

(u) 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.

(v) 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.

(w) New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are mandatory for the current reporting period, including the application of AASB 15 '*Revenue from Contracts with Customers*' (AASB 15) for the first time. The nature and effect of the changes as a result of adoption of AASB 15 is described below.

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

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

The Group has adopted AASB 15 from 1 July 2018. AASB 15 supersedes AASB 118 '*Revenue*', AASB 111 '*Construction Contracts*' and related Interpretations. AASB 15 applies to all revenue arising from contracts with customers, unless those contracts are within the scope of other accounting standards.

AASB 15 provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard introduces a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. The adoption has resulted in changes in accounting policies from 1 July 2018 that are set out in note 1(c) and adjustments to the amounts recognised in the financial statements as described below.

The change in the accounting policies has no impact on the commercial arrangements or current or future cash flows.

In accordance with the transition provisions of the AASB 15, the Group has adopted the modified retrospective transition approach to implement the new standard. Under this approach, comparatives are not restated. Instead, the cumulative effect of adopting the new standard is applied only to contracts that remain in force at 1 July 2018 and recognised in the opening balance of retained earnings in the current reporting period.

Adoption adjustment to the opening balance of retained earnings

A $1,139,000 ($1,627,000 pre-tax) transition adjustment has been recognised in retained earnings on transition at 1 July 2018 without adjustment of comparatives.

The transition adjustment related to mobilisation charges which were recognised as revenue during the period to 30 June 2018 for which the related performance obligation was partially completed as at that date. Under AASB 15, such charges cannot be recognised as revenue until the performance obligation is delivered over the contractual period. This resulted in a decrease to the opening balance of retained earnings as follows:

	Group $'000
Opening retained earnings 1 July 2018 as previously reported	774,126
Decrease due to deferral of revenue under AASB 15	(1,627)
Deferred tax effect	488
Opening retained earnings 1 July 2018 restated	772,987

The impact of all other measurement differences identified between AASB 118 and AASB 15 was immaterial at 30 June 2018 and 1 July 2018.

Note 1. Significant accounting policies (continued)

Impact of adoption on the current reporting period

The impact of adopting the new standard for the year ended 30 June 2019 is a decrease of $8,221,000 in sales revenue compared with the amount that would have been reflected under AASB 118, as the recognition of freight revenue is now deferred until the product is delivered. Correspondingly, freight costs of $9,544,000 have also been deferred.

The impact of all other measurement differences identified between AASB 118 and AASB 15 were immaterial for the year ended 30 June 2019.

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

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the year ended 30 June 2019. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 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.

The Group is in the process of assessing the extent of the impact of the application of this standard from 1 July 2019. The financial estimate of the effect of adopting this standard is expected to approximate the Operating Lease Commitments set out in Note 29, with an increase in non-current assets and an increase in current and non-current liabilities materially in line with the balance shown for Operating Lease Commitments set out in Note 29.

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. 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. Profit Before Tax will therefore not be materially affected by the adoption of this standard. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (operating activities) component. The Group has ensured banking covenants, Long and Short-Term Incentive Plans will not be affected by the adoption of AASB 16.

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. 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.

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

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.

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 & 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 normalised 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.

Operating segment Information

	Mining Services & Processing	MIning	Central	Inter-Segment	Total
Group - 30 June 2019	$'000	$'000	$'000	$'000	$'000
Revenue					
External sales	327,673	1,184,226	76	-	1,511,975
Intersegment sales	522,531	-	-	(522,531)	-
Total Revenue	850,204	1,184,226	76	(522,531)	1,511,975
Other Income	7,365	192	546	-	8,103
Expenses	(648,633)	(937,982)	(55,615)	508,011	(1,134,219)
Earnings before interest, tax, depreciation and amortisation	208,936	246,436	(54,993)	(14,520)	385,859
Depreciation and amortisation	(79,341)	(25,996)	(3,297)	-	(108,634)
Impairment charges	(9,809)	-	-	-	(9,809)
Interest income	38	238	3,586	(1,393)	2,469
Finance costs	(6,044)	(4,099)	(25,127)	1,393	(33,877)
Profit before tax	113,780	216,579	(79,831)	(14,520)	236,008
Income tax					(71,020)
Profit after tax for the year					164,988
Assets					
Segment assets	928,748	930,503	1,326,971	(24,965)	3,161,257
Liabilities					
Segment liabilities	384,539	340,444	1,056,068	-	1,781,051
Segment net assets	544,209	590,059	270,903	(24,965)	1,380,206

Note 3. Operating segments (continued)

	Mining Services & Processing	MIning	Central	Inter-Segment	Total
Group - 30 June 2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue					
External sales	343,554	1,280,852	25	-	1,624,431
Intersegment sales (i)	541,824	-	-	(541,824)	-
Total Revenue	885,378	1,280,852	25	(541,824)	1,624,431
Other Income	3,915	763	77,557	-	82,236
Expenses (i)	(629,446)	(1,033,178)	(7,605)	538,738	(1,131,490)
Earnings before interest, tax, depreciation and amortisation	259,847	248,437	69,979	(3,086)	575,177
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)	833	(10,090)
Profit before tax	180,318	149,525	63,472	(3,086)	390,229
Income tax					(118,381)
Profit after tax for the year					271,848
Assets					
Segment assets	982,414	758,869	354,498	(10,446)	2,085,335
Liabilities					
Segment liabilities	378,286	227,106	175,377	-	780,769
Segment net assets	604,128	531,763	179,121	(10,446)	1,304,566

(i) Comparatives for inter-segment sales and corresponding expenses for the Mining Services & Processing segment have been restated to exclude intra-segment sales of $179,799,000 and corresponding expenses of $179,799,000 which would be eliminated within the segment. The change did not have an impact on the statement of financial position, the statement of profit or loss or the statement of cash flows.

Geographical information

Refer note 4 for segment revenue disaggregated based on geographical locations of external customers.

All non-current assets of the Group, exclusive of, where applicable, financial instruments, deferred tax assets, post-employment benefits assets and rights under insurance contracts, are located in Australia.

Major customer information

During the year ended 30 June 2019, Mining segment revenues from two customers amounted to $209,091,000 and $176,785,000 respectively, arising from the sale of commodities and related freight revenue. No other single customer contributed 10% or more to the Group's revenue for the year.

During the year ended 30 June 2018, Mining segment revenues from a single customer amounted to $163,709,000, arising from the sale of commodities and related freight revenue. No other single customer contributed 10% or more to the Group's revenue for the year.

Note 4. Revenue

The effect of initially applying AASB 15 on the Group's revenue from contracts with customers is described in Note 1(w). Due to the modified retrospective transition method chosen in applying AASB 15, comparative information has not been restated to reflect the new requirements.

(a) Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Mining Services & Processing	MIning	Central	Total
Group - 2019	**$'000**	**$'000**	**$'000**	**$'000**
Type of goods or service				
Sale of iron ore	-	954,354	-	954,354
Sale of lithium	-	229,872	-	229,872
Contract and operational revenue	325,977	-	-	325,977
Other	1,696	-	76	1,772
Total external revenue from contracts with customers	327,673	1,184,226	76	1,511,975
Geographical information (by location of customer)				
Australia	327,625	-	76	327,701
China	-	662,356	-	662,356
Singapore	-	521,870	-	521,870
Other	48	-	-	48
Total external revenue from contracts with customers	327,673	1,184,226	76	1,511,975

	Mining Services & Processing	MIning	Central	Total
Group - 2018	**$'000**	**$'000**	**$'000**	**$'000**
Type of goods or service				
Sale of iron ore	-	624,334	-	624,334
Sale of lithium	-	656,518	-	656,518
Contract and operational revenue	343,262	-	-	343,262
Other	292	-	25	317
Total external revenue from contracts with customers	343,554	1,280,852	25	1,624,431
Geographical information (by location of customer)				
Australia	343,124	620	25	343,769
China	-	1,178,279	-	1,178,279
Singapore	-	82,913	-	82,913
Other	430	19,040	-	19,470
Total external revenue from contracts with customers	343,554	1,280,852	25	1,624,431

Note 4. Revenue (continued)

(b) Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

The Group does not have any contract assets as at 30 June 2019 as performance and a right to consideration occurs within a short period of time and all rights to consideration are unconditional.

Trade receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to Note 1f(ii) for the accounting policies for financial assets and Note 10 for trade receivables.

Contract liabilities

From time to time, the Group recognises contract liabilities in relation to:

- commodity sales which are sold under CFR and CIF Incoterms, whereby a portion of the cash may be received from the customer before the freight/insurance services are provided
- mining services revenue, including crushing services, whereby mobilisation charges may be received from the customer but is to be allocated and recognised based on the actual tonnes crushed each period (each performance obligation)

See Note 20 for further details of contract liabilities disclosed within Trade and Other Payables.

Note 5. Other income

	Group	
	2019 $'000	2018 $'000
Net fair value gain on investments held at fair value through profit or loss	33	60,064
Gain on bargain purchase	-	9,173
Net gain on disposal of property, plan and equipment	949	4,125
Interest income	2,469	3,383
Other	7,121	8,874
Other income	10,572	85,619

Note 6. Expenses

	Group	
	2019 $'000	2018 $'000
Profit before tax included the following specific expenses:		
Depreciation and amortisation		
Plant and equipment	92,963	88,201
Depreciation (capitalised to assets	(1,627)	(641)
Total depreciation	91,336	87,560
Amortisation		
Mine development	14,532	22,539
Others	2,766	2,777
Total amortisation	17,298	25,316
Total depreciation and amortisation	108,634	112,876
Impairment		
Exploration and mine development	-	16,842
Intangibles	-	15,263
Property, plant and equipment	9,809	6,500
Investments	-	3,270
Inventory	-	23,490
Total impairment	9,809	65,365
Finance costs		
Interest on borrowings	25,059	5,433
Interest on lease liabilities	6,280	3,953
Other	2,538	704
Finance costs expensed	33,877	10,090
Included within other expenses:		
Net foreign exchange loss	6,141	(5,927)
Net fair value loss on equity instruments at fair value through profit or loss	42,384	-
Minimum lease payments recognised as operating lease expense	4,357	4,346

Note 7. Income tax expense

(a) Income tax expense

	Group	
	2019 $'000	2018 $'000
Income tax expense		
Current tax	48,716	78,828
Deferred tax- origination and reversal of temporary differences	20,544	33,611
Adjustment recognised for prior periods	1,760	5,942
Aggregate Income tax expense	71,020	118,381
Deferred tax included in income tax expense comprises:		
(Increase)/decrease in deferred tax assets (note 7(b))	(13,659)	15,772
Increase in deferred tax liabilities (note 7(c))	34,203	17,839
Deferred tax- origination and reversal of temporary differences	20,544	33,611
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before tax	236,008	390,229
Tax at the statutory tax rate of 30%	70,802	117,069
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non allowable expenses	288	2,736
Non assessable income	-	(2,752)
Research and development concessions	(850)	(5,100)
	70,240	111,953
Adjustment recognised for prior periods	1,760	5,942
Current year tax losses not recognised	421	486
Prior year tax losses not recognised now recouped	(1,401)	-
Income tax expense	71,020	118,381

	Group	
	2019 $'000	2018 $'000
Amounts charged/(credited) directly to equity		
Deferred tax assets (note 7 (b))	-	(290)
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	26,702	29,967
Potential tax benefit @ 30%	8,011	8,990

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

Note 7. Income tax expense (continued)

(b) Deferred tax asset

	Group	
	2019 $'000	2018 $'000
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Allowance for expected credit losses	1,258	1,258
Contract liabilities	3,228	-
Employee benefits	10,510	12,567
Provisions	30,014	21,599
Unrealised foreign exchange loss	1,774	428
Other	(1,328)	2,232
Deferred tax asset	45,456	38,084
Movements:		
Opening balance	38,084	51,680
Credited/(charged) to profit or loss (note 7(a))	13,659	(15,772)
Credited to equity (note 7(a))	-	290
(Over)/under provision from prior year	(1,252)	1,886
Transfer to assets held for sale	(5,035)	-
Closing balance	45,456	38,084

(c) Deferred tax liability

	Group	
	2019 $'000	2018 $'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Trade and other receivables	30,782	3,791
Property, plant and equipment	101,753	97,828
Exploration and evaluation	35,690	36,401
Research and development	20,010	17,010
Financial assets	(2,681)	10,257
Other	18	449
Deferred tax liability	185,572	165,736
Movements:		
Opening balance	165,736	142,807
Charged to profit or loss (note 7(a))	34,203	17,839
Under-provision from prior year	6,737	5,090
Transfer to liabilities associated with assets held for sale	(21,104)	-
Closing balance	185,572	165,736

Note 8. Earnings per share

	Group	
	2019 $'000	2018 $'000
Profit after tax attributable to the owners of Mineral Resources Limited	163,669	272,498
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	187,929,729	187,535,933
Weighted average number of ordinary shares used in calculating diluted earnings per share	187,929,729	187,535,933
	Cents	**Cents**
Basic earnings per share	87.09	145.30
Diluted earnings per share	87.09	145.30

Note 9. Current assets - cash and cash equivalents

(a) Cash and cash equivalents

	Group	
	2019 $'000	2018 $'000
Cash at bank and on hand	265,399	240,406

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

	Group	
	2019 $'000	2018 $'000
Profit after tax for the year	164,988	271,848
Adjustment for:		
Depreciation and amortisation	108,634	112,876
Share-based payments	3,324	799
Foreign exchange differences	5,424	1,428
Impairment loss	9,809	65,365
Net gain on disposal of property, plant and equipment	(949)	(4,125)
Fair value loss/(gain) on investments held at fair value through profit or loss	42,351	(60,064)
Gain on bargain purchase	-	(9,173)
Other non-cash transactions	876	827
Change in operating assets and liabilities:		
Increase in trade and other receivables	(97,382)	(15,715)
Increase in inventories	(73,902)	(39,236)
(Increase)/decrease in deferred tax assets	(11,747)	13,886
Increase in other operating assets	(17,975)	(5,503)
Increase in trade and other payables	38,227	108,384
Decrease in provision for income tax	(23,331)	(39,770)
Increase in deferred tax liabilities	39,898	22,928
Decrease in other provisions	(2,146)	(13,327)
Net cash from operating activities	186,099	411,428

Note 10. Current assets - trade and other receivables

	Group	
	2019 $'000	2018 $'000
Trade receivables	171,659	99,277
Less: Allowance for expected credit losses	(4,193)	(4,193)
	167,466	95,084
Receivables from joint operation	-	6,754
	-	6,754
	167,466	101,838

Credit and market risks, and impairment losses
Movement in the allowance for expected credit losses are as follows:

	Group	
	2019 $'000	2018 $'000
Opening Balance	4,193	9,332
Additional provisions recognised/(released)	-	(5,139)
Closing balance	4,193	4,193

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables and contract assets is included in Note 26(d).

Note 11. Current assets - inventories

	Group	
	2019 $'000	2018 $'000
Raw materials and stores	28,962	14,369
Ore inventory stockpiles	136,373	102,380
Work in progress	14,791	15,440
	180,126	132,189

Note 12. Current assets - other

	Group	
	2019 $'000	2018 $'000
Prepayments	29,390	11,435
Foreign exchange forward contracts	6,011	-
Other current assets	-	3,096
	35,401	14,531

Note 13. Current assets - assets held for sale

See accounting policy in Note 1(h).

As at 30 June 2019, management has committed to sell a 60% interest in certain tenements, assets and related infrastructure, together comprising the Wodgina Lithium Project within the Mining segment under a binding Asset Sale and Share Subscription Agreement (Sale Agreement) with Albemarle Corporation (NYSE: ALB, Albemarle). An Amendment Deed to the Sale Agreement was executed on 1 August 2019 which revised the sale interest from 50% to 60%. Refer further details on the subsequent event in note 38. The sale is expected to complete by the end of the 2019 calendar year. As a result, the 60% interest in the assets and associated liabilities to be sold is presented as a disposal group held for sale as at 30 June 2019.

	Group	
	2019 $'000	2018 $'000
Inventories	25,750	-
Property, plant and equipment	356,331	-
Exploration and evaluation	116,854	-
Deferred tax asset	5,035	-
Assets held for sale	503,970	-

	Group	
	2019 $'000	2018 $'000
Lease liability	25,555	-
Provisions- site rehabilitation	16,433	-
Deferred tax liability	21,104	-
Liabilities associated with the assets held for sale	63,092	-

There are no cumulative income or expenses included in other comprehensive income relating to the disposal group.

Note 14. Non-current assets - receivables

	Group	
	2019 $'000	2018 $'000
Loan receivable	24,437	-
Other receivables	14,489	-
Security deposits	1,050	250
	39,976	250

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

Note 15. Non-current assets - financial assets

	Group	
	2019 $'000	2018 $'000
Shares in listed corporations- at fair value through profit or loss	75,149	114,113
Investment in unlisted company- at fair value through profit or loss	-	4,000
	75,149	118,113

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

	Group	
	2019 $'000	2018 $'000
Opening fair value	118,113	54,890
Additions	3,387	16,193
Revaluation	(42,351)	60,064
Impairment of assets	-	(3,271)
Disposals	(4,000)	(9,763)
Closing fair value	75,149	118,113

Refer to note 27 for further information on fair value measurement.

Note 16. Non-current assets - property, plant and equipment

	Group	
	2019 $'000	2018 $'000
Land - cost	14,399	14,399
Buildings - cost	12,467	12,467
Less: Accumulated depreciation	(2,066)	(1,756)
	10,401	10,711
Plant and equipment financed - cost	221,281	243,893
Less: Accumulated depreciation and impairment	(62,231)	(57,313)
	159,050	186,580
Plant and equipment - cost	1,603,132	1,178,894
Less: Accumulated depreciation and impairment	(486,404)	(418,053)
	1,116,728	760,841
	1,300,578	972,531

Note 16. Non-current assets - property, plant and equipment (continued)

Reconciliation

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

	Land	Building	Plant and equipment financed	Plant and equipment	Total
Group	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2017	14,399	17,167	140,671	551,495	723,732
Additions	-	-	71,611	267,844	339,455
Additions through business combinations (note 31)	-	975	-	12,500	13,475
Disposals	-	-	(181)	(3,372)	(3,553)
Impairment of assets	-	-	-	(6,500)	(6,500)
Transfers	-	(6,985)	716	(249)	(6,519)
Depreciation expense	-	(446)	(26,237)	(60,877)	(87,560)
Balance at 30 June 2018	14,399	10,711	186,580	760,841	972,531
Additions	-	-	98,157	700,358	798,515
Additions through business combinations (note 31)	-	-	-	1,682	1,682
Classified as held for sale	-	-	(29,219)	(327,112)	(356,331)
Disposals	-	-	(316)	(14,347)	(14,663)
Impairment of assets	-	-	-	(9,809)	(9,809)
Transfers	-	-	(58,955)	58,955	-
Depreciation expense	-	(310)	(37,197)	(53,840)	(91,347)
Balance at 30 June 2019	14,399	10,401	159,050	1,116,728	1,300,578

Property, plant and equipment secured under finance leases

Refer to note 29 for further information on property, plant and equipment secured under finance leases.

Assets in the course of construction

Included in property, plant and equipment at 30 June 2019 was an amount of $468,871,000 (2018: $203,503,000) relating to expenditure for plants in the course of construction.

Capitalised borrowing costs

The Group continued to progress the construction of the Wodgina spodumene concentrate plant and related infrastructure during the year ended 30 June 2019. The project was financed for a substantial part of the financial year under a syndicated loan facility. The amount of borrowing costs capitalised during the year ended 30 June 2019 was $21,860,000 (2018: Nil) of which $13,116,000 being 60% of the balance is classified as held for sale as at 30 June 2019. The rate used to determine the amount of borrowing costs eligible for capitalisation was 4.33%, which is the effective interest rate (EIR) of the specific borrowing.

Impairment testing

Refer to note 19 for details of impairment testing.

Note 17. Non-current assets - intangibles

	Group	
	2019 $'000	2018 $'000
Goodwill – cost	1,418	1,418
Development – cost	56,699	40,105
Patents – cost	1,750	1,750
Access rights – cost	56,717	56,717
Less: Accumulated amortisation and impairment	(33,112)	(31,864)
	23,605	24,853
Others – cost	5,037	2,882
Less: Accumulated amortisation	(3,698)	(1,706)
	1,339	1,176
	84,811	69,302

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

	Goodwill	Capitalised development costs	Patents	Access rights	Others	Total
Group	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2017	16,681	29,209	1,750	26,774	1,225	75,639
Additions	-	10,896	-	-	808	11,704
Impairment of assets	(15,263)	-	-	-	-	(15,263)
Amortisation expense	-	-	-	(1,921)	(857)	(2,778)
Balance at 30 June 2018	1,418	40,105	1,750	24,853	1,176	69,302
Additions	-	16,594	-	-	2,156	18,750
Amortisation expense	-	-	-	(1,248)	(1,993)	(3,241)
Balance at 30 June 2019	1,418	56,699	1,750	23,605	1,339	84,811

Allocation of goodwill to cash-generating units
The following cash generating units have carrying amounts of goodwill:

	Group	
	2019 $'000	2018 $'000
Process Minerals International Pty Ltd	1,418	1,418

Impairment testing
Refer to note 19 for details of impairment testing.

Note 18. Non-current assets - exploration and mine development

	Group	
	2019 $'000	2018 $'000
Exploration and evaluation	163,423	128,905
Mine development	348,114	328,209
Less: Accumulated amortisation	(103,025)	(92,630)
	245,089	235,579
	408,512	364,484

Reconciliations

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

	Exploration and evaluation	Mine development	Total
Group	$'000	$'000	$'000
Balance at 1 July 2017	131,510	187,677	319,187
Additions	2,876	66,920	69,796
Additions through business combinations (note 31)	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	128,905	235,579	364,484
Additions	41,177	67,992	109,169
Additions through business combinations (note 31)	85	46,883	46,968
Classified as held for sale	(6,744)	(110,111)	(116,855)
Reassessment of rehabilitation	-	19,278	19,278
Amortisation expense	-	(14,532)	(14,532)
Balance at 30 June 2019	163,423	245,089	408,512

Note 19. Impairment of non-financial assets

Impairment testing

The Group tests non-financial assets for impairment:

- At least annually for indefinite life intangibles and goodwill; and
- Where there is an indication that the asset may be impaired

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 (VIU).

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

Key assumptions contained in the cash flow projections for FVLCD and VIU models 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 8.3%, 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 used in VIU models incorporates a nominal growth rate of 2.0% 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.

Recognised impairment

During the current financial year, an impairment expense of $9,809,000 represented the write-down of certain plant and equipment in the mining services segment which were assessed for impairment at the individual asset level. The write-down to the recoverable amount was recognised in the statement of profit or loss as impairment charges.

No other material impairment was recognised during the year.

Previously recognised impairment

In the previous financial year, impairment expenses were recognised in the following CGUs:

- PIHA Pty Ltd (PIHA): A $8,817,000 impairment was recognised in respect of PIHA's goodwill which reflected management's decision in 2018 to discontinue the PIHA brand and operations despite efforts to restructure the PIHA business and reduce its cost base following the decline in the construction and installation of new pipeline projects.
- Road haulage – mine operations: A $6,446,000 impairment was recognised in respect of goodwill associated with the road haulage – mine operations CGU that arose on the acquisition of Mineral Resources Transport Pty Ltd (MRT Pty Ltd) in July 2016. The reduction in the recoverable value of the CGU reflected the change in the probability of utilising MRT Pty Ltd's road haulage operation following the announcement of the State Government's decision not to grant approval to allow the Company to mine at J5 and Bungalbin East. The CGU's recoverable value as at 30 June 2018 continues to approximate its carrying value.
- Yilgarn: An impairment in respect of low grade inventory ($23,490,000), property, plant and equipment ($6,500,000) and exploration and mine development assets ($16,842,000) was recognised. The reduction in the recoverable value of the CGU reflected the probability of changes in the production outlook while the Group considers its options for the Yilgarn region following the State Government's decision not to grant approval to allow the Company to mine at J5 and Bungalbin East.

Note 20. Current liabilities - trade and other payables

	Group	
	2019 $'000	2018 $'000
Trade payables and accruals	248,682	261,571
Contract liabilities	10,759	-
	259,441	261,571

Refer to note 26 for further information on financial instruments.

Note 21. Borrowings

Borrowings are initially recognised at fair value net of transaction costs incurred and subsequently at amortised cost.

	Group	
	2019 $'000	2018 $'000
Secured		
Lease liability	54,125	57,102
Unsecured		
Payable to joint operation partners	-	6,750
Other borrowings	1,144	-
Total current	55,269	63,852
Secured		
Syndicated loan facility	-	100,000
Senior unsecured notes	998,146	-
Less: capitalised transaction costs	(15,487)	-
Lease liability	99,056	75,437
Total non-current	1,081,715	175,437

Lease liabilities

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 weighted average interest rate for the lease liabilities is 4.08% (2018: 3.82%).

Senior unsecured notes

During the year ended 30 June 2019, the Group completed its inaugural US$700 million senior unsecured notes offering due 2027, at an interest rate of 8.125% per annum.

Syndicated loan facility

The Syndicated Loan Facility as at 30 June 2018 related to drawdowns maturing in December 2020. The facility was repaid in April 2019 and a new $250 million Syndicated Loan Facility was executed in June 2019, maturing in June 2022. Interest rate for the Syndicated Loan Facility is charged at BBSY plus a margin if drawn.

The Syndicated Loan Facility is secured by:

(a) General Security Agreements over the whole of the assets and undertakings of the Group's wholly owned subsidiaries (information on subsidiaries in note 32);
(b) Negative pledges with respect to financial covenants; and
(c) Interlocking guarantees.

No drawdowns have been made on the new facility as at 30 June 2019.

Refer to note 26 for further information on financial instruments.

Note 22. Employee benefits

	Group	
	2019 $'000	2018 $'000
Employee Benefits	35,565	42,176

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 23. Provisions

	Group	
	2019 $'000	2018 $'000
Warranties (i)	297	240
Project Closure (ii)	4,935	4,523
Site rehabilitation (iii)	6,190	2,352
Total Current	11,422	7,115
Project closure (ii)	8,703	5,817
Site rehabilitation (iii)	80,272	59,065
Total non-current	88,975	64,882

(i) Warranties
A 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 (current and non-current) during the current financial year, other than employee benefits, are set out below:

	Warranties	Project Closure	Site Rehabilitation closure	Total
Group - 2019	$'000	$'000	$'000	$'000
Carrying amount at the start of the year	240	10,340	61,417	71,997
Additional provisions recognised	57	4,852	46,760	51,669
Amounts used	-	(1,554)	(7,063)	(8,617)
Unused amounts reversed	-	-	(223)	(223)
Unwinding of discount	-	-	2,004	2,004
Reclassification to liabilities associated with assets held for sale	-	-	(16,433)	(16,433)
Carrying amount at the end of the year	297	13,638	86,462	100,397

Note 24. Equity - issued capital

	Group			
	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Ordinary shares	188,098,571	187,701,751	519,593	514,413
Less: Treasury Shares	(795,359)	(304,559)	(11,738)	(3,226)
	187,303,212	187,397,192	507,855	511,187

Movements in issued capital

Details	Ordinary shares Number	Less: Treasury shares Number	Total Number
Balance at 1 July 2017	187,330,196	(516,695)	186,813,501
Share issued under Dividend Reinvestment Plan	371,555	-	371,555
Employee share awards issued	-	212,136	212,136
Balance at 30 June 2018	187,701,751	(304,559)	187,397,192
Share issued under Dividend Reinvestment Plan	396,820	-	396,820
Purchase of shares under employee share plans	-	(1,245,000)	(1,245,000)
Employee share awards issued	-	754,200	754,200
Balance at 30 June 2019	188,098,571	(795,359)	187,303,212

Details	Ordinary shares $'000	Less: Treasury shares $'000	Total $'000
Balance at 1 July 2017	507,920	(5,472)	502,448
Share issued under Dividend Reinvestment Plan	6,493	-	6,493
Employee share awards issued	-	2,247	2,247
Balance at 30 June 2018	514,413	(3,225)	511,188
Share issued under Dividend Reinvestment Plan	5,879	-	5,879
Purchase of shares under employee share plans	-	(18,922)	(18,922)
Employee share awards issued	(699)	10,409	9,710
Balance at 30 June 2019	519,593	(11,738)	507,855

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 25. Equity - dividends

Dividends

	2019		2018	
	Dividend per share Cents	Total $'000	Dividend per share Cents	Total $'000
Declared and paid during the year				
Final franked dividend for the year ended 30 June 2018 (2018: 30 June 2017)	40.00	75,015	33.00	61,706
Interim franked dividend for the year ended 30 June 2019 (2018: 30 June 2018)	13.00	24,386	25.00	46,796
	53.00	99,401	58.00	108,502
Proposed				
Final franked dividend for the year ended 30 June 2019 (2018: 30 June 2018)	31.00	58,064	40.00	74,959

Franking credits

	Group	
	2019 $'000	2018 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	235,008	211,286

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 26. 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 maximise synergies.

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

The capital risk management policy remains unchanged from the prior year.

Note 26. Financial instruments (continued)

The gearing ratio at the reporting date was as follows:

	Group	
	2019 $'000	2018 $'000
Current liabilities- borrowings (note 21)	55,269	63,852
Current liabilities – borrowings (held for sale) (note 13)	25,555	-
Non-current liabilities- borrowings (note 21)	1,081,715	175,437
Total borrowings	1,162,539	239,289
Current assets- cash and cash equivalents (note 9)	(265,399)	(240,406)
Net debt/(Cash and cash equivalents, net of debt)	897,140	(1,117)
Total equity	1,380,206	1,304,566
Total capital	2,277,346	1,303,449
Gearing ratio	39%	-

(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 programme focusses 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. Certain of these foreign exchange forward contracts are designated as hedging instruments, detailed in note 26(f).

Note 26. Financial instruments (continued)

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

Group	Assets 2019 $'000	Assets 2018 $'000	Liabilities 2019 $,000	Liabilities 2018 $'000
USD denominated	57,369	103,042	1,020,758	18,145

The following table demonstrates the sensitivity of these foreign currency denominated financial assets and financial liabilities to a weakening/strengthening in the Australian dollar, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities including non-designated foreign currency derivatives. The impact on the Group's pre-tax equity is due to changes in the fair value of forward exchange contracts designated as cash flow hedges.

		2019		2018	
	AUD strengthened/ (weakened) %	Profit before tax Higher/ (lower) $'000	Equity Higher/ (lower) $'000	Profit before tax Higher/ (lower) $'000	Equity Higher/ (lower) $'000
USD denominated	+5%	46,124	45,876	4,245	(4,245)
USD denominated	-5%	(50,979)	(50,705)	(4,245)	(4,245)

The Group's exposure to foreign currency changes for all other currencies is not material

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.

		2019		2018	
	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%	95,385	95,385	62,433	62,433
Lithium DSO	± 10%	5,309	5,309	50,988	50,988
Lithium Spodumene	± 10%	17,678	17,678	14,476	14,476

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 $75,149,000 (2018: $114,113,000). A decrease of 10% (2018: 10%) on the share prices could have an impact of approximately $7,515,000 (2018: $11,411,000) 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 on its variable rate financial instruments as follows:

Group	2019 Weighted average interest rate %	2019 Balance $'000	2018 Weighted average interest rate %	2018 Balance $'000
Cash and cash equivalents	1.72%	265,399	1.44%	240,406
Syndicated loan facility	-	-	3.33%	(100,000)
Lease liabilities	4.08%	(178,736)	3.82%	(132,539)
Net exposure to cash flow interest rate risk		86,663		7,867

An analysis by remaining contractual maturities is shown in 'liquidity risk' note 26(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 (2018: 100) basis points would have a favourable/adverse effect on the profit before tax of $1,288,000 (2018: $87,000) per annum.

(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.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

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.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

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

At 30 June 2019, the exposure to credit risk for trade receivables and contract assets by type of counterparty was as follows:

	Group 2019 $'000	Group 2018 $'000
Commodity sale customers	69,625	30,051
Crushing services customers	30,857	34,801
Other	66,964	36,986
	167,446	101,838

Note 26. Financial instruments (continued)

At 30 June 2019, the carrying amount of receivables and contract assets for the Group's two major customers (commodity sale customers) totalled $50,375,000.

At 30 June 2018, the carrying amount of receivables and contract assets for the Group's major 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.

The Group has no customers who are credit-impaired at the reporting date.

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Group	2019 %	2018 %	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current (not past due)	-	-	142,250	88,098	-	-
1-30 days past due	-	-	12,882	12,419	-	-
30-60 days past due	-	-	11,120	109	-	-
61-90 days past due	10.00%	10.00%	48	-	5	-
More than 90 days past due	78.15%	77.58%	5,359	5,405	4,188	4,193
			171,659	106,031	4,193	4,193

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 28.

(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 26. Financial instruments (continued)

Financing arrangements

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

	Group	
	2019 $'000	2018 $'000
Total facilities		
Bank overdraft	4,000	4,000
Syndicated loan facility	250,000	290,000
Senior unsecured notes	998,146	-
Lease liability	250,000	250,000
Other borrowings	21,000	21,000
Bank guarantee	40,000	40,000
	1,563,146	605,000
Used at the reporting date		
Bank overdraft	-	-
Syndicated loan facility	-	100,000
Senior unsecured notes	998,146	-
Lease liability	178,736	132,539
Other borrowings	1,144	1,695
Bank guarantee	18,869	17,692
	1,196,895	251,926
Used at the reporting date		
Bank overdraft	4,000	4,000
Syndicated loan facility	250,000	190,000
Senior unsecured notes	-	-
Lease liability	71,264	117,461
Other borrowings	19,856	19,305
Bank guarantee	21,131	22,308
	366,251	353,074

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

Note 26. Financial instruments (continued)

Remaining contractual maturities

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

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
Group	$'000	$'000	$'000	$'000	$'000
Non-deriviatives					
Non-interest bearing					
Trade payables	259,442	-	-	-	259,442
Interest-bearing - variable					
Lease liability	62,733	54,477	61,526	-	178,736
Senior unsecured notes	-	-	-	998,146	998,146
Other	1,144	-	-	-	1,144
Total non-derivatives	323,319	54,477	61,526	998,146	1,437,468

	1 year or less	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Remaining contractual maturities
GROUP	$'000	$'000	$'000	$'000	$'000
Non-deriviatives					
Non-interest bearing					
Trade payables	261,571	-	-	-	261,571
Interest-bearing – variable					
Syndicated loan facility (i)	-	-	100,000	-	100,000
Lease liability	57,102	41,294	34,143	-	132,539
Total non-derivatives	318,673	41,294	134,143	-	494,110

(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. The facility was repaid in April 2019 and a new $250 million Syndicated Loan Facility was executed in June 2019, maturing in June 2022. No drawdowns have been made on the facility as at 30 June 2019.

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.

(f) Hedge activities and derivatives

The Group is exposed to risk from movements in foreign exchange in relation to its forecast US dollar denominated sales and as part of the risk management strategy has entered into foreign exchange forward contracts.

Certain of these foreign exchange forward contracts are designated as hedging instruments in cash flow hedges of forecast sales in US dollar.

The following contracts in relation to US Dollar revenue from forecasted sales remain open at the reporting date:

- Foreign exchange forward contracts covering US$30,000,000 a month up to May 2020 (total US$330,000,000 open) at an average rate of 0.6986

These forward contracts were entered into in May 2019 and corresponds with the forecasted iron ore sales for the following 12 months to May 2020. The hedged US Dollar revenues do not represent the full value of expected sales over this period.

The ineffective portion was immaterial in the current period.

Note 27. 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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group - 2019				
Assets				
Financial assets held at fair value through profit or loss	75,149	-	-	75,149
Foreign exchange forward contracts in cash flow hedges	6,011	-	-	6,011
Total assets	81,160	-	-	81,160

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group - 2018				
Assets				
Financial assets held at fair value through profit or loss	118,113	-	-	118,113
Total assets	118,113	-	-	118,113

Unless otherwise stated the carrying amount of other financial assets and financial liabilities reflect their fair value.

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

Classification of financial assets at fair value through profit or loss

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

Note 28. 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.

	Group	
	2019 $'000	2018 $'000 Restated*
Bank guarantee facility	40,000	40,000
Amount utilised	(18,869)	(17,692)
Unused facility	21,131	22,308

* The bank guarantee facility limit and amount utilised disclosed in the prior period of $61,000,000 and ($19,387,000) respectively contained non-guarantee borrowing facilities of $21,000,000 and amount utilised ($1,695,000) respectively. The overstatement has been corrected by restating the affected contingent liabilities line items. The change did not have an impact on the statement of financial position, the statement of profit or loss or the statement of cash flows.

Note 29. Commitments

	Group	
	2019 $'000	2018 $'000
Capital commitments		
Committed at the reporting date but not recognised as liabilities, payable:		
Property, plant and equipment	94,089	188,424
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	6,616	4,432
One to five years	16,118	5,259
More than five years	21,513	-
	44,247	9,691
Lease commitments - finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	69,295	61,383
One to five years	120,219	78,510
Total commitment	189,514	139,893
Less: Future finance charges	(10,778)	(7,354)
Net commitment recognised as liabilities	178,736	132,539
Representing		
Lease liability- current (note 21)	54,125	57,102
Lease liability – associated with held for sale (note 13)	25,555	-
Lease liability- non-current (note 21)	99,056	75,437
	178,736	132,539

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 $188,269,000 (2018: $186,580,000) 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 30. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2019 $'000	2018 $'000
Profit after tax	29,751	144,254
Total comprehensive income	29,751	144,544

Statement of financial postition

	Parent	
	2019 $'000	2018 $'000
Total current assets	1,169,669	173,617
Total assets	1,421,603	558,951
Total current liabilities	59,711	37,430
Total liabilities	1,267,538	346,577
Net assets	154,065	212,374
Equity		
Issued capital	507,940	511,269
Reserves	14,666	-
Accumulated losses	(368,541)	(298,895)
Total equity	154,065	212,374

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 2019 and 30 June 2018 other than as obligor under its syndicated financing facilities.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 (2018: $nil).

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment at as 30 June 2019 (2018: $1,627,000).

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.

Note 31. Business combinations

Business combinations in 2019

Acquisition of additional interest in Reed Industrial Minerals Pty Ltd (RIM)

On 17 March 2019, the Group completed the purchase of an additional 6.9% equity interest in Reed Industrial Minerals Pty Ltd (RIM) under a Share Sale Agreement (Sale Agreement) with Neometals Ltd (ASX: NMT) (Neometals) for the Group and Ganfeng Lithium Co. Ltd (Ganfeng) to jointly and equally acquire Neometals' 13.8% equity interest. The acquisition would take the Group's interest in RIM and its underlying Mt Marion Lithium Project from 43.1% to 50.0%.

The Group accounts for its interest in RIM as an interest in a joint operation and will continue to do so with its 50.0% interest as joint control has been maintained.

The business combination principles were applied to the acquisition of the additional 6.9% interest in the joint operation. The Group's previously held 43.1% interest in the joint operation was not remeasured.

The fair value of the additional 6.9% interest in the identifiable assets acquired and liabilities assumed at the date of acquisition were:

	$'000
Assets	
Cash and cash equivalents	7,495
Receivables	2,436
Inventory	1,960
Property, plant and equipment	1,682
Exploration and mine development	46,968
Total assets	60,541
Liabilities	
Trade and other payables	(7,770)
Deferred tax liability	(871)
Total liabilities	(8,641)
Provision fair value of net identifiable assets required	51,900
Consideration paid	51,900
Goodwill	-

The purchase consideration is deemed to be representative of the fair value of the additional 6.9% interest in the underlying assets acquired and liabilities assumed, being substantially the tenements and mine development properties of the underlying Mt Marion Lithium Project, hence no goodwill nor gain on bargain purchase arises.

Business combinations in 2018

Acquisition of Energy Resources Pty Ltd (previously Empire Oil Company (WA) Limited)

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

MINERAL RESOURCES

Note 31. Business combinations (continued)

The fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition were:

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

The acquisition accounting balances recognised at 30 June 2018 were based on a provisional assessment of their fair value. The valuations and tax-related matters affecting the acquisition accounting entries were finalised in the current year ended 30 June 2019 with no changes required to the provisional fair values of the identifiable assets acquired and liabilities assumed at the date of acquisition.

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

The gain on bargain purchase was recognised as other income in the income statement during the year ended 30 June 2018.

From the date of acquisition, the contribution from Energy Resources 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.

Note 32. 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:

		Ownership interest	
Name	Country of incorporation	2019 %	2018 %
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 Asset Management 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%	50.00%
Energy Resources Pty Ltd (previously Empire Oil Co (WA) Limited)	New Zealand	100.00%	100.00%
Cattamarra Farms Pty Ltd	Australia	90.00%	90.00%
Yilgarn Iron Pty Ltd (previously ACN 626 035 078)	Australia	100.00%	100.00%
Iron Resources Pty Ltd (previously ACN 626 063 796)	Australia	100.00%	100.00%
Kumina Iron Pty Ltd (previously ACN 169 725 973)	Australia	100.00%	100.00%

Note 33. 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:

		Ownership interest	
Name	Principal place of business/ Country of incorporation	2019 %	2018 %
Reed Industrial Minerals Pty Ltd	Australia	50.00%	43.10%

Note 34. Related party transactions

Parent entity

Mineral Resources Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 32.

Joint operations

Interests in joint operations are set out in note 33.

Transactions with related parties

The value of transactions with related parties and outstanding balances in relation to transactions with related parties were as follows:

	Group			
	Transaction values for the year ended 30 June 2019 $'000	Transaction values for the year ended 30 June 2018 $'000	Balances outstanding as at 30 June 2019 $'000	Balances outstanding as at 30 June 2018 $'000
Key Management Personnel/directors' interests:				
Properties from which the Group's operations are performed are rented from parties related to Chris Ellison and Peter Wade	(2,027)	(1,939)	-	-

Occupation of these premises date back prior to the Company's listing in 2006. The ongoing need for occupation of these premises, as well as rental arrangements, are assessed periodically. The Group has a Related Party Transaction Policy that requires the review and approval of Related Party Transactions by the Audit and Risk Committee (the Committee). A resolution is required by the Company's Board of Directors (where applicable, excluding those involved in the Related Party Transaction) to confirm that the transaction is on terms not materially less favourable than terms generally available from an unaffiliated third party under the same or similar circumstances.

Terms and conditions

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

Note 35. 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:

	Group	
	2019 $'000	2018 $'000
Short-term employee benefits	8,314,489	5,768,247
Post-employment benefits	158,965	140,145
Share-based payments	1,961,850	5,737,500
	10,435,304	11,645,892

Note 36. Share-based payments

Expense arising from share-based payment transactions

The expense recognised for employee services received during the year is shown in the following table:

	Group	
	2019 $'000	2018 $'000
Equity-settled share-based payment transactions	3,324	7,917
Total expense arising from share-based payment transactions	3,324	7,917

Movements during the year

The following table illustrates the number and weighted average fair value, and movements in, share awards during the year:

	Weighted average fair value $	Outstanding at 1 July 2018 Number	Granted during the year Number	Forfeited during the year Number	Issued during the year Number	Outstanding at 30 June 2019 Number	Vested not yet issued at 30 June 2019 Number
FY16 LTIP	10.62	328,145	-	(4,788)	(220,583)	102,774	-
FY17 LTIP	13.96	810,290	-	(75,007)	(81,918)	653,365	270,097
FY18 LTIP (i)	14.97	661,255	-	(174,270)	(76,605)	410,380	-
FY19 LTIP (ii)		-	-	-	-	-	-
		1,799,690	-	(254,064)	(379,106)	1,116,519	270,097

(i) Due to the vesting hurdles not being met in the current financial year, no Long-Term Incentive Plan (LTIP) awards have vested under the FY18 LTI scheme as at 30 June 2019.

(ii) Due to current financial year LTIP hurdles not being met, no LTIP awards have been issued to KMP or other senior positions.

Modifications

- At the 2018 Annual General Meeting, a resolution was passed to approve the Board's proposal for the early vesting of a portion of Bruce Gould's awards made under the 2017 and 2018 LTI plan in connection with his retirement. As the awards were no longer subject to Bruce Gould's employment with the Group, the expense relating to 147,883 unvested awards at departure has been accelerated and recognised in profit or loss.

Note 36. Share-based payments (continued)

Summary of LTI structure

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 Programme

   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 over a period of three years, along with the corresponding dividends and voting rights 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. 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). Awards may be delayed or forfeited, depending on continuing service and ongoing business performance. Due to performance hurdles having been met when averaged over the 2017 and 2018 financial years, the second tranche of the 2017 LTIP will vest to eligible participants on 23rd August 2019.

   FY18 Subject to the performance hurdle being met, LTI shares will vest to the individual over a period of three years, 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). Awards may be delayed or forfeited, depending on continuing service and ongoing business performance. As performance hurdles have not been met for the 2019 financial year, the first tranche of the 2018 LTIP will be suspended and may vest to eligible participants in August 2021 subject to performance hurdles being met when averaged over the 2019 and 2020 financial years.

3. Remeasurement/clawback mechanisms – once an entitlement is granted, vesting will be dependent on continuing employment, and in addition, 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 is measured at a Group consolidated level, on the following basis:

ROIC = NOPAT/Invested Capital

Where:

Net Operating Profit After Tax (NOPAT) is calculated as the Company's statutory Earnings Before Interest and Taxes (EBIT) for the year, adjusted to remove the impact of changes to accounting policies (such as the treatment of operating leases), whether favourable or unfavourable, and after applying a flat 30% tax rate.

Invested Capital is calculated as the sum of Net Assets and Net Interest Bearing Debt at balance date adjusted for accumulative accounting policy adjustments.

Treatment of cash balances for the purposes of calculating ROIC
Strategic cash is defined as cash, over and above normal operational requirements, retained for future opportunities. The Board nominated strategic cash holdings ($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 retained to enable strategic growth and investment. As retention of strategic cash holdings is a Board decision that senior executives and KMP are unable to influence, the Board has determined it is reasonable not to require senior executives and KMP to earn a return on these facilities.

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 37. 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:

	Group	
	2019 $	2018 $
Audit services - RSM Australia Partners		
Audit or review of the financial statements	445,822	453,140
Other services - RSM Australia Partners & overseas network firms		
Taxation services	204,388	295,509
Due diligence services required for US Notes offering	169,338	-
Other services	-	5,720
	373,726	301,229
	819,548	754,369

Note 38. Events after the reporting period

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

Dividend
On 22 August 2019, the directors declared a final fully franked dividend for the year ended 30 June 2019 of 31.0 cents per share to be paid on 4 October 2019, a total estimated distribution of $58,064,000 based on the number of ordinary shares on issue as at 22 August 2019.

Sale arrangements for the Wodgina Lithium Project
On 26 July 2019, the Group announced that it had received unconditional approval from the China State Administration for Market Regulation (SAMR) for the binding Wodgina Sale Agreement with Albemarle Corporation (NYSE: ALB, Albemarle) as announced on 14 December 2018.

On 1 August 2019, the Group announced that it had entered into revised arrangements with Albemarle. Under the revised arrangements, the Group will increase the interest in the Wodgina Lithium Project to be sold to Albemarle from 50% to 60% and Albemarle and MRL will form a 60:40 joint venture to operate the Wodgina Lithium Mine and battery grade lithium hydroxide production facilities. Albemarle will pay US$820 million in cash at closing and transfer a 40% interest in the first two lithium hydroxide conversion units currently being built by Albemarle in Kemerton, near Bunbury in Western Australia, which will be capable of processing spodumene produced at Wodgina.

Purchase agreement for Parker Range Project
On 21 August 2019, the Group announced that it had executed a binding heads of agreement with Cazaly Iron Pty Ltd (a wholly owned subsidiary of Cazaly Resources Limited (ASX: CAZ, Cazaly) to purchase the assets that comprise the Parker Range Project in the Yilgarn region of Western Australia. The heads of agreement is conditional on MRL completing due diligence within 21 days; board approval of both parties; ministerial consent for the transfer of the tenements; and Cazaly shareholder approval as, and if, required. On completion, the purchase price payable by MRL to Cazaly Iron Pty Ltd for the assets is $20,000,000. MRL will also pay Cazaly Iron Pty Ltd a royalty of $0.50 for every dry metric tonne of iron ore extracted and removed from the area of the tenements payable after the first 10 million dry metric tonnes of iron ore have been extracted and removed from the area of the tenements.

No other matter or circumstance has arisen since 30 June 2019 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.

Director’s Declaration

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 2019 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

22 August 2019
Perth

RSM Australia Partners

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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 2019, 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 2019 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.

MINERAL RESOURCES

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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
Assets held for sale - Wodgina Lithium Project Refer to Note 13 in the financial statements	
On 14 December 2018, the Group announced that it had entered into a binding Asset Sale and Share Subscription Agreement with Albemarle Corporation (Albemarle) in relation to the sale of a 50% interest in the Group's Wodgina Lithium Project. On 1 August 2019, the Group announced that it revised its agreement with Albemarle for the sale of a 60% interest in the Wodgina Lithium Project with the Group receiving a 40% interest in two modules at Albemarle's Kemerton hydroxide facility. The Group has determined the sale was highly probable at balance date and accordingly consider the 60% interest of the assets and associated liabilities to be sold as a disposal group held for sale as at 30 June 2019. We determined this to be a key audit matter due to the classification impact and significant judgements involved in assessing if the assets were available for sale in their present condition at balance date subject only to terms that were usual and customary for sales of such assets (or disposal groups) and the judgment that the sale was highly probable as at 30 June 2019.	Our audit procedures entailed the review of the requirements of AASB 5 '*Non-current assets held for Sale and Discontinued Operations*', including: • Assessing management's determination that assets were available for sale in their present condition as at 30 June 2019, subject only to terms that are usual and customary for sales of such assets (or disposal groups); • Confirming management's assessment that the sale was highly probable at balance date; • Assessing management's determination that Non-current assets classified as held for sale were at the lower of their carrying amount and fair value less costs to sell; and • Assessing whether the disclosure requirements of AASB 5 '*Non-current assets held for Sale and Discontinued Operations'* have been met.
Provision for Mine Rehabilitation Refer to Note 23 and Note 13 the financial statements	
As at 30 June 2019, the Group had provisions of $86.5 million (Note 23) and $16.4 million (Note 13) relating to its portion of the estimated future cost of rehabilitation and restoration of areas disturbed as a result of its mining operations. The provision for mine 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.	Our audit procedures in relation to the provision for mine rehabilitation included the following: • Obtaining an understanding of the process involved in the determination of the site rehabilitation liability; • Obtaining the calculations for the provision for mine rehabilitation and verification of the methodology used to determine if the provision is in accordance with AASB 137 *'Provisions, Contingent Liabilities and Contingent Assets'*; • Reviewing the key assumptions used in the June 2019 calculations and agreeing them to supporting evidence; and • Assessing the appropriateness of the disclosures included in the Group financial statements in relation to the provision for site rehabilitation.

RSM

<table>
<tr><td colspan="2">Business Combination - Acquisition of additional interest in Reed Industrial Minerals Pty Ltd
Refer to Note 31 in the financial statements</td></tr>
<tr><td>On 17 March 2019, the Group completed the purchase of an additional 6.9% equity interest in Reed Industrial Minerals Pty Ltd (RIM) under a Share Sale Agreement (Sale Agreement) with Neometals Ltd (Neometals) for the Group and Ganfeng Lithium Co. Ltd (Ganfeng) to jointly and equally acquire Neometals' 13.8% equity interest. The acquisition would take the Group's interest in RIM and its underlying Mt Marion Lithium Project from 43.1% to 50.0%

The Group accounts for its interest in RIM as an interest in a joint operation and will continue to do so with its 50.0% interest as joint control has been maintained.

The business combination principles were applied to the acquisition of the additional 6.9% interest in the joint operation. The Group's previously held 43.1% interest in the joint operation was not remeasured.

This was considered a key audit matter because the accounting for the transaction is complex and involves significant judgments in applying the accounting standards AASB 3 'Business Combinations' and AASB 11 'Joint Arrangements'.</td><td>Our audit procedures in relation to the acquisition transaction included:
Obtaining the share sale agreement, other associated documents, and ensuring that the transaction had been accounted for in compliance with AASB 3 'Business Combinations' and AASB 11 'Joint Arrangements';
Testing the consideration paid to the signed share sale agreement and to bank statements;
Assessing management's determination that it retains joint control over RIM;
Evaluating the acquisition date fair values of the additional 6.9% interest in identifiable assets acquired and liabilities assumed at the date of the acquisition;
Verifying that the Group recognised its share of jointly held assets, liabilities, revenues and expenses in RIM at the correct proportion into the Group's financial report; and
Reviewing the disclosures in Note 31 to the financial statements in order to assess compliance with the disclosure requirements of AASB 3 'Business Combinations' and AASB 11 'Joint Arrangements'.</td></tr>
<tr><td colspan="2">Existence and Valuation of Inventory
Refer to Note 11 and Note 13 the financial statements</td></tr>
<tr><td>The Group had inventory with a carrying value of $180.1 million (Note 11) and $25.7 million (Note 13) as at 30 June 2019. The existence and valuation of inventory is considered a key audit matter, due to the materiality of the balance and the significant judgments involved.

Areas of judgement included future estimates of foreign exchange, iron ore, lithium ore prices, ore grades and allocation of processing costs.</td><td>Our audit procedures in relation to the existence and valuation of inventory included the following:
Verifying the ore stockpiles at reporting date by reviewing the survey reports provided and reconciling them to the inventory models;
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;
Testing a sample of expenditure to supporting invoices or other documentation and confirmation of the validity of the amounts recorded in the accounting records;
Testing the net realisable value by checking future ore prices used with market data and expected processing with actual costs incurred; and
Assessing the competence and objectivity of the management expert used to conduct the physical survey.</td></tr>
</table>

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 2019, 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. 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 2019.

In our opinion, the Remuneration Report of Mineral Resources Limited, for the year ended 30 June 2019, 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

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 22 August 2019

JAMES KOMNINOS
Partner


MINERAL
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CAMPBELL

Shareholder Information

Shareholder Information

The shareholder information set out below was applicable as at 3 September 2019.

Range	Total holders	Units	% Units
1 to 1,000	8,847	3,894,662	2.07
1,001 to 5,000	5,095	11,697,307	6.22
5,001 to 10,000	773	5,721,281	3.04
10,000 to 100,000	436	9,953,813	5.29
100,001 and over	53	156,831,508	83.38
Rounding			**000**
Total	**15,204**	**188,098,571**	**100.00**

Unmarketable Parcels

Analysis of number of equitable security holders by size of holding.

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 13.3300 per unit	38	565	7,932

Equity Security Holders

The names of the twenty largest security holders of quoted equity securities are listed below.

Rank	Name	Units	% of Units
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	59,662,334	31.72
2	CITICORP NOMINEES PTY LIMITED	24,972,099	13.28
3	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	22,388,577	11.90
4	CHRIS ELLISON	21,799,188	11.59
5	NATIONAL NOMINEES LIMITED	9,226,078	4.90
6	BNP PARIBAS NOMINEES PTY LTD	6,855,042	3.64
7	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	1,498,836	0.80
8	BOND STREET CUSTODIANS LIMITED	1,337,524	0.71
9	D + C GERAGHTY PTY LTD <GERAGHTY FAMILY A/C>	1,187,197	0.63
10	MINERAL RESOURCES LIMITED <EMPLOYEE SHARE PLAN A/C>	769,226	0.41
11	AMP LIFE LIMITED	656,109	0.35
12	MCCUSKER HOLDINGS PTY LTD	650,000	0.35
13	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	584,426	0.31
14	CS THIRD NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 13 A/C>	500,638	0.27
15	PAKSIAN PTY LTD	460,000	0.24
16	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	408,278	0.22
17	JOVE PTY LTD	391,430	0.21
18	QUOTIDIAN NO 2 PTY LTD	362,000	0.19
19	DARRELL JAMES PTY LTD <INVESTMENT A/C>	350,000	0.19
20	MARTINDALE PTY LTD	350,000	0.19
	TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES	**154,408,982**	**82.09**

Corporate Directory

Corporate Directory

Directors

Peter Wade
Chris Ellison
Kelvin Flynn
James McClements
Tim Roberts (ceased 5 June 2019)
Xi Xi

Company secretaries

Mark Wilson
Derek Oelofse

Registered office

1 Sleat Road
Applecross WA 6153
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Postal address: Locked Bag 3, Canning Bridge, Applecross WA 6153

Principal place of business

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Applecross WA 6153

Share register

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F: +61 8 9322 2033
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Auditor

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Bankers

National Australia Bank
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Stock exchange listing

Mineral Resources Limited shares are listed on the Australian Securities Exchange (ASX: MIN)

Website

www.mrl.com.au

MINERAL RESOURCES

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