



16 August 2012

The Manager  
Company Announcements  
Australian Stock Exchange Limited  
Level 8, Exchange Plaza  
2 The Esplanade  
Perth WA 6000

## 2012 Annual Financial Report

Directors of Mineral Resources Limited (Company) (ASX:MIN) are pleased to present the 2011/12 Financial Report to the markets.

### HIGHLIGHTS:

- **Net profit after tax of \$242.2 million,**
  - **an improvement of 61% on the previous year, and**
  - **an improvement of 29% on the previous year headline result.**
- **Final fully franked dividend of 30.0 cents per share, bringing the full dividend for the year to 46.0 cents per share.**

The Company has produced another record result for the year with a 29.0% improvement in normalised earnings. The Directors are pleased with the result in which, despite challenging local and global environments, both contracting and mining operations achieved their respective growth objectives.

	Normalised net profit after tax		Reported net profit after tax	
	\$AUD millions	% improvement on prior year	\$AUD millions	% improvement on prior year
2011/12	177.0*	29.0%	242.2	60.9%
2010/11	137.2**		150.5	

\* Prior to accounting adjustment to recognise the preliminary estimate of MRRT deferred tax asset.

\*\* Excluding the profit on sale of shares in Midwest Vanadium Pty Ltd and the Windimurra plant.

Directors will continue the policy of distributing approximately 50% of normalised after tax profits to shareholders as fully franked dividends by declaring a final dividend for 2011/12 of 30.0 cents per share, payable on 26 October 2012 for all shareholders of record at 21 September 2012. The total dividend for the year is 46.0 cents per share being an annual increase of 9.5%.

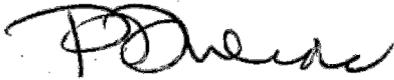
Mineral Resources continues to report its business results as two operating segments being mining services and processing (comprising the traditional MRL contracting operations) and mining (comprising Polaris, Mesa, Auvex and the recently acquired Central Pilbara tenements) both operating within the resources sector of the Australian economy.

Expansion of both the contracting and mining segments continues to be undertaken concurrently. The Christmas Creek 1 plant is operating successfully ahead of budgeted production while the construction of the Christmas Creek 2 plant will be completed Q3 2012. The operations phase of that 10 year build, own, operate contract will commence after wet commissioning is completed. The Company has also been successful in securing a range of smaller contracts for major mining houses that will commence in the short term. In addition to projects in the execution stage, the level of business development opportunities have also continued at record levels with major works for resource based customers being negotiated.

In the mining segment, with the Carina iron ore mine commencing operation in the Yilgarn region during the year, the Company has subsequently embarked on development of the Phil's Creek iron ore mine in the Pilbara. These initiatives, together with ongoing development and operation of the Poondano site, will increase iron ore output in the near term.

In summary, 2011/12 has been another outstanding year and the Board is particularly pleased with the company's ability to achieve aggressive growth targets and concurrently maintain a solid performance in the ongoing business. On behalf of the Board and the management team, I would like to take the opportunity to acknowledge the contribution of all customers, employees and contractors of the business and thank them for their assistance in producing continued positive outcomes for all stakeholders.

Yours Sincerely,

A handwritten signature in black ink, appearing to read "Peter Wade", written in a cursive style.

Peter Wade  
Chairman

# MINERAL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 33 118 549 910

## Appendix 4E – Preliminary Final Report

FOR THE YEAR ENDED 30 JUNE 2012

RESULTS FOR ANNOUNCEMENT TO THE MARKET				\$AUD'000
Revenue	Up	51.9%	to	925,857
Profit after tax from ordinary activities	Up	61.0%	to	242,239
Profit after tax (net of MRRT tax benefit)	Up	17.7%	to	177,077
Profit after tax attributable to members	Up	60.4%	to	242,204

DIVIDENDS	For the year ended 30 June 2012	For the year ended 30 June 2011
Interim dividend (100% franked)	16.0 cents	15.0 cents
Final dividend (100% franked)	30.0 cents	27.0 cents
Total dividend (100% franked)	46.0 cents	42.0 cents

The record date for determining entitlements to the final dividend will be 21 September 2012 and paid on 26 October 2012. The Company has a dividend reinvestment plan (DRP) in place and it will be available to shareholders for the 2012 final dividend. Directors have determined that the DRP shares allocated in the payment of this dividend be priced at the volume weighted average price (VWAP) for fully paid MRL shares sold on ASX in the five business days following the record date, rounded to the nearest whole cent. No discount will be applied. The DRP will not be underwritten. Shares issued under the DRP will rank equally in all respects with existing fully paid MRL shares and will be credited to the Participant's shareholding. Full particulars of the operation of the DRP are available on the Company's website, [www.mineralresources.com.au](http://www.mineralresources.com.au).

	Current Period	Previous corresponding period
Net tangible asset backing per share (cents per share)	454.5	344.9

The 30 June 2012 Financial Report dated 16 August 2012 forms part of and should be read in conjunction with this Preliminary Final Report (Appendix 4E).

This report is based on financial statements that have been audited. The audit report is included in the 30 June 2012 Annual Financial Report.

**MINERAL RESOURCES LIMITED**  
**ABN 33 118 549 910**

**ANNUAL FINANCIAL REPORT 2012**

**Mineral Resources Limited**  
**Annual Financial Report**  
**for the year ended 30 June 2012**

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**Calendar**

	<b>Date:</b>
Final dividend:-	
- Record date	21 September 2012
- Payment date	26 October 2012
Annual General Meeting	22 November 2012

## Mineral Resources Limited

### Directors' Report

for the year ended 30 June 2012

The directors present their report together with the financial statements of Mineral Resources Limited and of the Consolidated Entity, being the Company and its controlled entities (the Group) for the year ended 30 June 2012 and the independent auditor's report.

#### Directors

The directors of the Company at any time during or since the end of the financial year are:

***Peter Wade*** *BE (Hons), LGE*

Executive Chairman and Managing Director

Date of Appointment: 27 February 2006

Peter has over 40 years experience in engineering, construction, project management and mining and infrastructure services. He started his career with the NSW Public Service managing the construction of significant infrastructure projects in NSW including the Port Kembla coal loader and the grain terminals at Newcastle and Wollongong and was also the Deputy Director for the Darling Harbour Redevelopment construction project.

Following his period of employment with the NSW Public Service, Peter joined the executive team of the Transfield Group. Throughout the 1980s and 1990s he was General Manager of Sabemo Pty Ltd, Transfield Construction Pty Ltd, and Transfield Power Technologies and subsequently became Transfield Chief Operations Officer (Southern). During this period Peter was responsible for significant build, own, operate projects including the Melbourne City Link, the Airport Link, the Northside Storage Tunnel and the Collinsville and Smithfield Power Plants.

Peter became Managing Director of Crushing Services International Pty Ltd and PIHA Pty Ltd in 1999, and subsequently Process Minerals International Pty Ltd in 2002 (now the wholly owned subsidiary companies of Mineral Resources Limited) and 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 subsequently was appointed the Executive Chairman in 2008. Peter is also a director of Global Construction Services Ltd.

***Joe Ricciardo*** *Bachelor Applied Science (Mech Eng)*

Independent non-executive director

Appointed 26 June 2006

Joe has over 35 years experience in feasibility studies, design, construction, maintenance and operation of mineral processing facilities and associated infrastructure.

In January 1986, he became the founding member and managing director of J R Engineering Services Pty Ltd until its acquisition by the Downer EDI/Roche Group in 2001. Joe continued to lead the company, Roche Mining (JR) Pty Ltd in the capacity of general manager and director up to April 2006. During his 20 year stewardship of JR, the company consistently grew to become a successful and major engineering services provider to the resources and mineral processing industry. Joe's experience covers the commodities of gold, nickel, copper, lead, zinc, iron ore, coal, mineral sands, tantalum and talc for both major and junior mining companies.

Joe is currently the Managing Director of GR Engineering Services Limited (ASX:GNG), a company that he founded in October 2006 and which is a highly recognised Perth based engineering design and construction contractor servicing the local and international mineral processing industry.

## Mineral Resources Limited

### Directors' Report

for the year ended 30 June 2012

#### **Chris Ellison**

Executive director

Appointed 27 February 2006

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 35 years experience in the mining contracting, engineering and resource processing industries.

In 1979 Chris founded Karratha Rigging and was Managing Director until its acquisition by Walter Wright Industries in 1982. Chris was subsequently appointed as the General Manager, Walter Wright Industries for the Western Australia and Northern Territory regions.

In 1986 Chris founded Genco Ltd and following two years of considerable growth, Genco Ltd merged with the Monadelphous Group in 1988. In September 1988 Receivers and Managers were appointed to the Monadelphous Group. At this time, Chris was appointed the Managing Director and under his careful management, the group successfully traded out of its financial difficulties and eventually relisted on the ASX in late 1989.

In 1992 Chris founded PIHA Pty Ltd in which the company focused on the provision of specialised pipe lining and general infrastructure to the resources sector. Over the next three years through his work with PIHA Pty Ltd, Chris identified a real opportunity within the mining industry to satisfy the need for specialised contract crushing services which led to the founding of Crushing Services International Pty Ltd. Subsequently, Chris and his business partners within PIHA and CSI founded the mineral processing arm of Mineral Resources Limited, Process Minerals International Pty Ltd.

Chris is currently an executive director of Mineral Resources Limited having principal responsibility for business development and operations and remains the largest shareholder in Mineral Resources Limited. Chris's only other directorship in the past three years is his appointment as a directors of Mesa Minerals Limited, having been appointed on 25 May 2010.

#### **Mark Dutton MA Cantab, ACA ICAEW**

Independent non-executive director

Appointed 8 November 2007

Mark has over 17 years experience acting as a non-executive director of a range of growth businesses across Europe, Asia and Australia. He started his career at Price Waterhouse in England in 1991 where he qualified as a chartered accountant, subsequently working in Moscow in their Corporate Finance division. Mark is a member of the Institute of Chartered Accountants of England & Wales and holds an MA in Management Studies and Natural Sciences from the University of Cambridge, England.

Mark has worked in the private equity industry since the mid-1990s. He started with BancBoston Capital in the UK before being appointed Managing Director Asia-Pacific.

In 2003, he joined Foundation Capital in Perth to manage their later-stage investment fund. He is presently the co-founder and a director of Banksia Capital, a private equity manager focussed on Western Australia.

#### **Kelvin Flynn B Com, CA**

Independent non-executive director

Appointed 22 March 2010

Kelvin has over 20 years of corporate experience in leadership positions in Australia and Asia having held the position of Executive Director / Vice President with Goldman Sachs and Managing Director of Alvarez & Marsal in Asia. Kelvin is a qualified Chartered Accountant with experience in merchant banking and corporate advisory including private equity and special situations investments into the mining & resources sector. He has also worked in complex financial workouts, turnaround advisory and interim management.

## Mineral Resources Limited

### Directors' Report

for the year ended 30 June 2012

Kelvin is a director of privately held Global Advanced Metals Pty Ltd (formerly Talison Tantalum Pty Ltd), owner of the Wodgina mine and the world's largest primary deposit of tantalum.

Kelvin is the founder and currently Managing Director of merchant bank and advisory firm Sirona Capital.

#### *Ryan Welker BA (Hons)*

Independent non-executive director

Appointed 1 December 2010, Resigned 7 October 2011

Ryan is a graduate of Regent's Business School London with a BA (Hons) in International Finance and Accounting. He has worked for Standard Bank and Rio Tinto as well as a broad range of mining finance groups, mining companies and other mining industry service companies as a consultant. Ryan specialises in developing commercial development strategies, resource acquisitions/divestitures, joint ventures and project debt finance for projects and companies throughout the world.

#### Secretary

#### *Bruce Goulds BBus, Grad Dip Management, LLB (hons)*

Company Secretary

Appointed 27 February 2006

Bruce Goulds has over 30 years of finance and commercial experience in various listed and unlisted corporations including as Commercial Manager within Brambles Industries, Financial Controller and Company Secretary of Cockburn Corporation Limited and Commercial Manager for the Australasian operations of international mining equipment manufacturers Svedala Industrii, Metso Minerals and Sandvik.

In 2005, Bruce joined PIHA Pty Ltd, Crushing Services International Pty Ltd and Process Minerals International Pty Ltd as Group Finance Manager. In 2006, he was appointed the inaugural CFO and Company Secretary of Minerals Resources Limited on its listing on ASX.

Bruce is a Fellow CPA, a Fellow of the Institute of Chartered Secretaries and a Member of the Australian Institute of Company Directors.

#### Directors' meetings

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year were:

Director	Directors' Meetings		Audit Committee Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
P. Wade	11	10	2	-	2	2
J. Ricciardo	11	11	2	2	2	2
M. Dutton	11	11	2	2	2	2
C. Ellison	11	11	*	*	2	2
K. Flynn	11	10	2	2	2	2
R. Welker**	3	-	*	*	-	-

\* - Not a member of the committee

\*\* - Resigned 7 October 2011

Other committees are convened as required.

## Mineral Resources Limited

### Directors' Report

for the year ended 30 June 2012

#### Principal activities

The principal activity of the Consolidated Entity is as an integrated supplier of goods and services to the resources sector.

#### Operating results and review of operations for the year

The Consolidated entity produced a net profit of \$242.2 million for the year ended 30 June 2012, representing a 60.9% improvement on the previous corresponding year. This result is recorded on a solid increase of underlying sales for both its services operations and its core commodities production. The result is in accordance with the Company's expectations and represents a continuation of the exceptional performance from all areas of the business.

Construction of the Christmas Creek 2 plant has continued on time and on budget. This 25 mtpa iron ore processing plant supports a 10 year, build, own and operate contract with Fortescue Metals Group. Construction is expected to be complete during Q3 2012 with commissioning and ramp-up following thereafter. Crushing capacity will continue to rise substantially with the Christmas Creek 2 plant and other smaller BOO operations joining the portfolio in production in 2012/2013. Our services contracting operations, for external as well as internal sites, remains the foundation of the business and is a primary growth area. Our major clients and operations are located primarily in WA, and the business continues to expand its production base as the state's mining operators look for innovative ways to reach the extraordinary growth targets in iron ore and other steel making materials.

In addition to build, own, operate opportunities, the Company is exploring opportunities to enter into contracting work that varies from this theme. A number of large scale processing plants are planned for development in Western Australia and the Company's innovative design and construction credentials are considered suitable to support significant opportunities to participate in the development of these projects.

PIHA, the Company's pipeline services business, continues to enjoy a solid order-book having cemented its market presence with the signing of framework agreements with key mining customers. In addition, the business has expanded its offering into the oil and natural gas sectors.

In November 2011, MRL exported the first iron ore from its Carina mine. Development of this project, in the space of nine months from being granted access to the site, represents another outstanding achievement for the Company. During this first period of operation in 2011/2012 a total of 1.875 million tonnes of iron ore have been exported. The permanent plant and infrastructure has been completed in accordance with expectations, and the Company has begun to stabilise the production and logistics chain to maximise product output and efficiency of the site. Temporary facilities are now being de-mobilised.

Iron ore prices have declined over the latter part of the period as a result of European economic concerns and concern that the Chinese economy has come off the high levels of growth experienced in previous years. Iron ore demand has also been reported as being soft. The company has continued to experience strong demand for its products during this time with key clients strengthening their relationships. The Company is optimistic about the future for its products and will manage this period of weakness to maximise the return to shareholders.

The Australian dollar has continued its volatile ride during the period, fluctuating across a wide range. This situation has generally been managed by the Company with a conservative hedging programme, although there is an expectation that volatility will continue whilst world economic conditions remain weak and unpredictable.

Commodity export volumes were again at record levels. A total of four million tonnes were exported from Western Australian ports for the year.

## Mineral Resources Limited

### Directors' Report

for the year ended 30 June 2012

Commodity sales for the year were as follows:

'000 tonnes	2011	2012
<b>Iron ore</b>		
. Utah Point	2,259	<b>2,004</b>
. KBT2	-	<b>1,759</b>
. Total	2,259	<b>3,763</b>
<b>Manganese</b>	449	<b>269</b>
<b>Total commodity sales</b>	2,708	<b>4,032</b>

Completion of the purchase of the Central Iron Ore tenements from Iron Ore Holdings (ASX:IOH) in the period increased the Company's resource base in the Pilbara region. Construction of the Phil's Creek project commenced in the period with the first iron ore due to be exported from the site in late 2012. This ore will supplement existing projects in the Pilbara region for export from Utah Point at Port Hedland.

Manganese price levels remained weak in the period and the Company restricted exports to remain in touch with existing customers. Indications of price improvement have emerged over the last few months but a decision to re-commence substantial export activities is not imminent.

Acquisition of Auvex Resources Limited, completed during the period, has given MRL control of the Ant Hill and Sunday Hill manganese deposits. This resource is considered to be a very prospective manganese region and, with its proximity to MRL's existing manganese assets, puts it in a very strong strategic position once manganese markets improve.

On 19 March 2012, the federal government's MRRT legislation came into effect. The Company has elected to use the market value method for determining its starting base allowance. For the period a preliminary evaluation has been made resulting in a deferred tax asset (DTA), and corresponding income tax expense credit, of \$65 million. This valuation exercise will continue and resulting DTA adjustments will be booked as the full impact of the starting base allowance is concluded.

The Company's balance sheet remains strong, with low gearing. Capital expenditure of \$428 million was incurred in the period from the substantial development programme currently being undertaken by the Company. This has meant that additional debt has been acquired to assist in the funding of this and we expect to borrow further during the next financial year to complete this phase of the programme. Despite this borrowing, the free cash flow of the business is expected to contribute substantially to the programme and the balance sheet will be conservatively geared at the maximum debt levels.

#### Financial Position

The net assets of the Group have increased to \$916,751,000 (2011: \$627,506,000). The increase is largely due to:

- the operating performance of the Group;
- the raising of fund from the exercise of options by option holders; and
- the issue of shares to acquire Auvex Resources Limited

#### Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Consolidated Entity during the past financial year other than as disclosed in the financial statements.

## **Mineral Resources Limited**

### **Directors' Report**

**for the year ended 30 June 2012**

#### **Dividends paid or recommended**

Dividends paid or declared for payment in the year are as follows:

- Final Ordinary Dividend for 2010/11 of 27.0 cents per share, franked at a tax rate of 30%, paid on 20 October 2011 amounting to \$49,647,495.
- Interim Ordinary Dividend for 2011/12 of 16.0 cents per share, franked at a tax rate of 30%, paid on 5 April 2012 amounting to \$29,553,038 and
- Final Ordinary Dividend for 2011/12 of 30.0 cents per share, franked at a tax rate of 30%, has been recommended by Directors amounting to \$55,456,805.

#### **Events subsequent to reporting date**

No matters or circumstances have arisen since the end of the financial year which significantly affects the operations of the Consolidated Entity other than disclosed in the Financial Report.

#### **Environmental issues**

The Group's operations are subject to significant environmental regulation under the law of the Commonwealth and State. During the year the Consolidated Entity met all reporting requirements under relevant legislation. There were no incidents which required reporting.

#### **Likely developments**

Disclosure of information relating to the future developments in the operations of the Consolidated Entity which would not, in the opinion of the directors, be prejudicial to the Consolidated Entity's interests is contained in this Directors' Report.

#### **Non-audit services**

The Board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110: Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Details of the amounts paid to the auditors are disclosed in Note 27 of the financial statements.

#### **Auditor's independence declaration**

The auditor's independence declaration as required under Section 307C of the Corporations Act 2001 has been included as part of the financial statements.

## Mineral Resources Limited

### Directors' Report

for the year ended 30 June 2012

#### Remuneration report – Audited

This remuneration report details the policy for determining the remuneration of directors and key management personnel and provides specific detail of their remuneration.

##### *Remuneration of non-executive directors*

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Remuneration Committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required.

Shareholder approval must be obtained in relation to the overall limit set for directors' fees (currently \$500,000). The Remuneration Committee sets individual Board fees within the limit approved by shareholders. Shareholders must separately approve the framework for any equity based compensation schemes and if a recommendation is made for a director to participate in an equity scheme, that participation must be approved by the shareholders.

##### *Remuneration of key management personnel*

The Company's remuneration policy for executive directors and key management personnel is designed to promote superior performance and long term commitment to the Company. Key management personnel receive a base remuneration which is market related. Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive market and business conditions where it is in the interests of the Company and shareholders to do so. Executive remuneration and other terms of employment are reviewed annually by the Remuneration Committee having regard to performance, relevant comparative information and expert advice. The Committee's remuneration policy reflects its obligation to align executive's remuneration with shareholders' interests and to retain appropriately qualified executive talent for the benefit of the Company.

#### Key management personnel service agreements – Audited

The Company has service agreements with each executive that defines:

- The role and appointment date
- Executive duties
- Remuneration and benefits
- Leave entitlements
- Summary dismissal for misconduct and fraud
- Use of expenses
- Notice periods of between three and twelve months
- Confidential information
- Restraint provisions

**Mineral Resources Limited**

**Directors' Report**

**for the year ended 30 June 2012**

Details of the key conditions of service agreements for key management personnel are as follows:

	Commencement Date	Notice Period	Base Salary (incl super)	Termination Payments Provided*
<b>Directors</b>				
<b>Non-executive directors</b>				
J. Ricciardo	25 June 2006	n/a	\$98,100	none
M. Dutton	7 November 2007	n/a	\$98,100	none
K. Flynn	22 March 2010	n/a	\$98,100	none
R. Welker**	1 December 2010	n/a	\$98,100	none
<b>Executive Directors</b>				
P Wade – Executive Chairman/Managing Director	1 July 2006	6 months	\$981,000	none
C Ellison – Executive Director - Business Development	1 July 2006	6 months	\$872,000	none
<b>Executives</b>				
S. Wyatt - General Manager, CSI	1 July 2006	6 months	\$872,000	none
B. Gavranich - General Manager, PIHA	1 July 2006	6 months	\$872,000	none
D. Geraghty - Technical Director	1 July 2006	6 months	\$654,000	none
B. Goulds - Chief Financial Officer/Company Secretary	1 July 2006	6 months	\$654,000	none
A. Haslam - General Manager – Iron Ore	30 March 2012	1 months	\$599,500	none

\* other than statutory entitlements.

\*\* resigned 7 October 2011

Base salaries quoted are as at 30 June 2012 and are reviewed annually by the Remuneration Committee.

**Details and amounts of remuneration – Audited**

	Short-term Benefits		Post Employment Benefits Super- annuation	Long-term Benefits		Total
	Cash, salary and commissions	Non-cash benefits		Share-based Payments		
					Equity	Options
	\$	\$	\$	\$	\$	\$
<b>Directors</b>						
P. Wade	778,846	56,946	50,000	-	-	885,792
J. Ricciardo	90,000	-	8,100	-	-	98,100
C. Ellison	692,307	34,406	46,230	-	-	772,943
M. Dutton	190,000	-	8,100	-	-	198,100
K. Flynn	98,100	-	-	-	-	98,100
R. Welker	25,961	-	2,336	-	-	28,297
	<u>1,875,214</u>	<u>91,352</u>	<u>114,766</u>	-	-	<u>2,081,332</u>
<b>Key management personnel</b>						
B. Gavranich	692,307	16,664	46,230	-	-	755,201
S. Wyatt	692,307	44,728	25,000	-	-	762,035
D. Geraghty	631,730	29,495	25,000	-	-	686,225
B. Goulds	502,767	-	50,000	-	-	552,767
A. Haslam	89,038	-	5,865	-	-	94,903
	<u>2,608,149</u>	<u>90,887</u>	<u>152,095</u>	-	-	<u>2,851,131</u>
Total	<u>4,483,363</u>	<u>182,239</u>	<u>266,861</u>	-	-	<u>4,932,463</u>

**Mineral Resources Limited**

**Directors' Report**

**for the year ended 30 June 2012**

2011	Short-term Benefits		Post Employment Benefits	Long-term Benefits		Total
	Cash, salary and commissions	Non-cash benefits	Super- annuation	Share-based Payments		
	\$	\$	\$	Equity \$	Options \$	\$
<u>Directors</u>						
P. Wade	450,000	53,600	50,000	-	-	553,600
J. Ricciardo	90,000	-	8,100	-	-	98,100
C. Ellison	400,000	64,136	36,000	-	-	500,136
M. Dutton	190,000	-	17,100	-	-	207,100
K. Flynn	94,327	-	-	-	-	94,327
R. Welker	51,231	-	4,611	-	-	55,842
	1,275,558	117,736	115,811	-	-	1,509,105
<u>Key Management Personnel</u>						
B. Gavranich	400,000	55,878	36,000	-	-	491,878
S. Wyatt	400,000	64,136	25,000	-	-	489,136
D. Geraghty	326,923	15,780	25,000	-	-	367,703
B. Goulds	238,850	-	50,000	-	-	288,850
	1,365,773	135,794	136,000	-	-	1,637,567
Total	2,641,331	253,530	251,811	-	-	3,146,672

**Performance Conditions – Audited**

A. Haslam may earn a cash bonus of up to 60% of his base salary on achievement of key performance indicators directly related to the performance of his duties. For the financial period ended 30 June 2012, no performance bonus has been awarded.

No proportion of remuneration of directors or other key management personnel is dependent on the satisfaction of a performance condition.

**Equity and Options granted as remuneration – Audited**

No equity or options were granted to directors or key management personnel in the financial period ended 30 June 2012.

**Options**

At 30 June 2012, the unissued ordinary shares of the Company under option are as follows:

Date of Expiry	Exercise Price	Number under Option
15 Jan 2013	\$2.00	440,900
		440,900

Option holders do not have any rights to participate in any issues of shares or other interests in the Company or any other entity.

## Mineral Resources Limited

### Directors' Report

for the year ended 30 June 2012

During the year ended 30 June 2012, the following ordinary shares of the Company were issued on the exercise of options granted. No amounts are unpaid on any of the shares.

Date of Expiry	Exercise Price	Number of Shares Issued
15 Jan 2012	\$1.90	271,500
15 Jan 2013	\$2.00	221,850
31 Dec 2011	\$4.31	137,500
6 Aug 2011	\$6.05	10,000,000
31 Dec 2011	\$6.31	202,500
		<hr/>
		10,833,350

#### Directors' relevant interests

No director has or has had any interest in a contract entered into during the year or any contract or proposed contract with the Company or any controlled entity or any related entity other than as disclosed in the notes to the financial statements.

The relevant interest of each director in the capital of the Company at the date of this report is as follows:

Director	No of Ordinary Shares Number of Ordinary shares	No of Options over Ordinary Shares Number of Options over Ordinary Shares
P. Wade	1,416,162	-
J. Ricciardo	1,529,989	-
M. Dutton	15,000	-
C. Ellison	27,000,000	-
K. Flynn	-	-

#### Indemnifying Officers or Auditor

During or since the end of the financial year the Company has paid premiums to insure all directors and executives against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director or officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company. Otherwise, the Company has not given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums on behalf of directors, executives and auditors.

Neither the Company nor any related entity has indemnified or agreed to indemnify, paid or agreed to pay any insurance premium which would be prohibited under Section 199A or Section 199B of the Corporations Act 2001 during or since the financial period ended 30 June 2012.

#### Proceedings on Behalf of Company

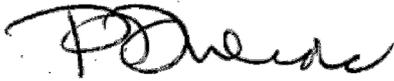
No person has applied for leave of Court under section 237 of the Corporations Act 2001 to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

**Mineral Resources Limited**  
**Directors' Report**  
**for the year ended 30 June 2012**

**Rounding of Amounts**

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

Signed on behalf of the Board in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Peter Wade', written in a cursive style.

PETER WADE  
Executive Chairman / Managing Director

Dated this 16 August 2012

**RSM Bird Cameron Partners**  
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GPO Box R1253 Perth WA 6844  
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www.rsmi.com.au

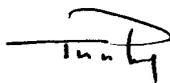
### AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Mineral Resources Limited for the year ended 30 June 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

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

*Rsm Bird Cameron Partners*

RSM BIRD CAMERON PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 16 August 2012

**Mineral Resources Limited**  
**Corporate Governance Statement**  
**for the year ended 30 June 2012**

The Board considers it essential that directors and staff of the Company employ sound corporate governance practices in carrying out their duties and responsibilities. Accordingly, specific corporate governance policies have been issued to detail the expected behaviour required to ensure the Company acts with integrity and objectivity.

The Company has posted all its corporate governance policies to the Corporate Governance section of its website: [www.mineralresources.com.au](http://www.mineralresources.com.au).

The ASX Corporate Governance Council released the second edition of its “Good Corporate Governance Principles and Recommendations” (“Recommendations”) in August 2007 and amended in 2010. The Board supports the thrust of the Recommendations and whilst the Recommendations are not prescriptive, the ASX Listing Rules require listed companies to identify those recommendations that have not been followed and the reasons for not following them.

**Principle 1 - Lay solid foundations for management and oversight**

**Recommendation 1.1 - Delegation of authority**

***Board responsibility***

The Board is responsible for guiding and monitoring the Company on behalf of shareholders.

Specific responsibilities of the Board include:

1. appointment, evaluation, rewarding and, if necessary, removal of the Managing Director and senior management;
2. in conjunction with management, development of corporate objectives, strategy and operations plans.
3. review and approval (as required) of plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
4. establishing appropriate levels of delegation to the Managing Director to allow him to manage the business efficiently;
5. monitoring actual performance against planned performance expectations;
6. ensuring that the Company is appropriately positioned to manage significant business risks;
7. overseeing the management of safety, occupational health and environmental matters;
8. satisfying itself that the financial reporting of the Company fairly and accurately set out the financial position and financial performance of the Company;
9. satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, and internal control processes are in place and functioning appropriately;
10. to ensure that appropriate internal and external audit arrangements are in place and operating effectively;
11. having a framework in place to help ensure that the Company acts legally and responsibly on all matters consistent with the code of conduct; and
12. reporting to shareholders.

***Management responsibility***

The responsibility for the day-to-day operation and administration of the Company is delegated by the Board to the Managing Director.

Whilst there is a clear division between the responsibilities of the Board and management, the Board is responsible for ensuring that management’s objectives and activities are aligned with the expectations and risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved.

**Mineral Resources Limited**  
**Corporate Governance Statement**  
**for the year ended 30 June 2012**

**Recommendation 1.2 – Evaluation of performance of management**

The Board has in place a process for evaluating the performance of the Managing Director and other senior executives.

***Managing Director***

The Board will annually review the performance of the Managing Director. The Board and the Managing Director will agree a set of specific performance measures to be used in the review of the forthcoming year.

This includes:

- (a) financial measures of the Company's performance;
- (b) the measure for determining achievement of key operational goals and strategic objectives;
- (c) development of management and staff;
- (d) compliance with legal and Company policy requirements; and
- (e) achievement of other key performance indicators.

***Senior executives***

The Managing Director is responsible for assessing the performance of the key executives.

**Principle 2 – Structure the Board to add value**

**Recommendation 2.1 - Majority of board should be independent directors**

Mr M. Dutton satisfies all the tests of the Recommendations and is considered independent. Each director's skills, experience and expertise relevant to position of director and period of office of each director in office at date of annual report is contained in the Directors' Report.

**Recommendation 2.2 and 2.3 – Independent Chairman and Managing Director**

The roles of Chairman and Managing Director are currently combined. The Chairman of the Company, Peter Wade, also holds the position of Managing Director and is considered not to be independent. This board structure was created after due consideration to the strategy of the Company, and the Board considers Mr Wade the best person to lead the Company from the combined position at this time.

Each director has the right to seek independent professional advice on matters relating to their position as a director of the Company at the Company's expense.

**Recommendation 2.4 - Nomination committee**

The Board has established the functions of a nomination committee.

***Composition***

The Committee shall comprise at least three directors, the majority of whom must be non-executive directors, one of whom will be appointed the Committee Chairman. At present, due to the current size and composition of the Board, the full board operates as the nomination committee.

**Recommendation 2.5 – Board performance evaluation process**

As part of the annual review of the performance of the Board, the appropriate size, composition and terms and conditions of appointment to and retirement from the Board are considered. The Board also reviews the appropriate criteria for board membership collectively.

The Board has established formal processes to review its own performance and the performance of individual directors (including the Managing Director) and the Committees of the Board, annually.

**Mineral Resources Limited**  
**Corporate Governance Statement**  
**for the year ended 30 June 2012**

The Board is required to meet annually with the specific purpose of reviewing the role of the Board, assessing its performance over the previous 12 months and examining ways in which the Board can better perform its duties.

The review will incorporate the performance of the Board.

The annual review includes consideration of the following measures:

- (a) comparison of the performance of the Board against the requirements of the Board charter;
- (b) assessment of the performance of the Board over the previous twelve months having regard to the corporate strategies, operating plans and the annual budget;
- (c) review the Board's interaction with management;
- (d) identification of any particular goals and objectives of the Board for the next year;
- (e) review the type and timing of information provided to the directors; and
- (f) identification of any necessary or desirable improvements to board or committee charters.

***Non-executive directors***

The Chairman will have primary responsibility for conducting performance appraisals of non-executive directors in conjunction with them, having particular regard to:

- (g) contribution to board discussion and function;
- (h) degree of independence including relevance of any conflicts of interest;
- (i) availability for and attendance at board meetings and other relevant events;
- (j) contribution to Company strategy;
- (k) membership of and contribution to any board committees; and
- (l) suitability to board structure and composition.

Where the Chairman, following a performance appraisal, considers that action must be taken in relation to a director's performance, the Chairman must consult with the remainder of the Board regarding whether a director should be counselled to resign, not seek re-election, or in exceptional circumstances, whether a resolution for the removal of a director be put to shareholders.

**Principle 3 – Promote ethical and responsible decision-making**

**Recommendation 3.1 – Code of conduct**

The policies on this principle are disclosed on the Company's website.

**Recommendation 3.2, 3.3, and 3.4 - Diversity**

The Board has in place policies for the recruitment of the most suitable person for roles within the Company providing diversity of employment opportunities for, but not limited to, gender, age, ethnicity and cultural background for all Company roles. In respect of gender diversity, the Company has not determined a target proportion of appointments but relies on the requirement of "most suitable person for roles" as the overarching selection criteria for personnel.

As at the balance date, 9% (2011 11% ) of employees of the Company were females and two women function in senior executive positions. There are no women currently serving on the Company's board.

**Mineral Resources Limited**  
**Corporate Governance Statement**  
**for the year ended 30 June 2012**

**Principle 4 – Safeguard integrity in financial reporting**

**Recommendation 4.1 – Audit committee**

*Scope*

The Audit Committee is a committee of the Board with the specific powers delegated by the Board. A charter sets out the Audit Committee's function, composition, mode of operation, authority and responsibilities summarised on the website.

**Recommendation 4.2 and 4.3 – Audit Committee membership and composition**

Disclosure of the names, qualifications and attendance at audit committee meetings is included in the directors Report.

**Principle 5 – Make timely and balanced disclosure**

The policies on this principle are disclosed on the Company's website.

**Principle 6 – Respect the rights of shareholders**

**Recommendation 6.1 – Shareholder communication**

The Company recognises the value of providing current and relevant information to its shareholders.

The Managing Director and Company Secretary have the primary responsibility for communication with shareholders.

The Company is committed to the promotion of investor confidence by ensuring that trading in the Company's securities takes place in an efficient, competitive and informed market.

*Electronic communication and web-site*

The Company's web-site will be updated with material released to the ASX as soon as practicable after confirmation of release by the ASX.

All web-site information will be continuously reviewed and updated to ensure that information is current, or appropriately dated and archived.

The Company places the full text of notices of meeting and explanatory material on the web-site.

**Principle 7 – Recognise and manage risk**

**Recommendation 7.1 and 7.2 – Risk management**

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to management. Management is required by the Board to report back on the efficiency and effectiveness of risk management. The Board discuss risk management issues with management on an ongoing basis.

Management is responsible for the ongoing management of risk with standing instructions to apprise the Board of changing circumstances within the Company and within the international business environment.

**Mineral Resources Limited**  
**Corporate Governance Statement**  
**for the year ended 30 June 2012**

**Recommendation 7.3 - Assurance from CEO and CFO**

*Management sign-off procedure*

The Audit Committee will ensure that the Managing Director and Chief Financial Officer prepare a written statement to the Board certifying that the Company's annual financial report and half yearly financial report present a true and fair view, in all material respects, of the financial condition of the Company and its operational performance and are in accordance with relevant accounting standards.

The statement is to be presented to the Board prior to the approval and sign-off of the respective annual and half yearly financial reports. Assurance from the CEO / CFO is founded on a sound system of risk management and internal control and the system is considered to operate effectively in all material respects in relation to reporting financial risk.

**Principle 8 – Remunerate fairly and responsibly**

**Recommendation 8.1, 8.2, and 8.3 – Remuneration Committee**

The Board has established a Remuneration Committee. Composition of the Committee shall comprise at least three directors, the majority of whom must be non-executive directors, one of whom will be appointed the Committee Chairman.

The charter of the Committee and its functions and responsibilities are posted on the Company's website.

The Committee is currently chaired by Kelvin Flynn and members are Joe Ricciardo and Mark Dutton.

*Non-executive remuneration*

Non-executive directors are entitled to receive statutory superannuation benefits as well as accrued proportional leave benefits. No other post-employment benefits are provided to non-executive directors as at the date of this report.

Mineral Resources Limited

Statement of Comprehensive Income

for the year ended 30 June 2012

	Note	Consolidated	
		2012 \$'000	2011 \$'000
<b>Revenue from continuing operations</b>	3	925,857	609,518
Other income	3	13,036	28,734
Changes in closing stock		48,348	5,708
Depreciation and amortisation		(68,722)	(26,275)
Employee benefit expenses		(113,595)	(82,759)
Equipment costs		(37,708)	(17,238)
Finance costs		(6,437)	(5,638)
Impairment losses		(2,474)	(1,038)
Raw materials and consumables		(231,930)	(97,443)
Subcontractors		(115,412)	(49,429)
Transport and freight		(151,761)	(123,747)
Other expenses	4	(35,022)	(31,478)
<b>Profit before income tax</b>		224,200	208,915
Income Tax expense	5	(47,123)	(58,422)
<b>Profit before Mineral Resources Rent Tax ("MRRT") Tax benefit and after Income tax expense</b>		177,077	150,493
Tax benefit arising on introduction of MRRT	5	65,162	-
<b>Profit for the year</b>		242,239	150,493
<b>Other comprehensive income</b>			
Net change in fair value of plant and equipment		1,085	(459)
<b>Other comprehensive income for the year</b>		1,085	(459)
<b>Total comprehensive income for the year</b>		243,324	150,034
Profit is attributable to:			
Members of Mineral Resources Limited		242,204	150,957
Non-controlling interest		35	(464)
		242,239	150,493
Total comprehensive income is attributable to:			
Members of Mineral Resources Limited		243,289	150,498
Non-controlling interest		35	(464)
		243,324	150,034
Basic earnings per share (cents per share)		132.3	89.7
Diluted earnings per share (cents per share)		131.1	86.5

The accompanying notes form an integral part of the statement of comprehensive income

Mineral Resources Limited

Statement of Financial Position

for the year ended 30 June 2012

	Note	Consolidated	
		2012 \$'000	2011 \$'000
<b>ASSETS - Current</b>			
Cash and cash equivalents	6	76,282	180,456
Trade and other receivables	7	141,900	109,359
Inventories	8	67,121	17,043
Financial assets	11	5	4,044
Other assets	9	1,771	2,013
<b>Total current assets</b>		<b>287,079</b>	<b>312,915</b>
<b>ASSETS – Non current</b>			
Trade and other receivables	7	3,298	3,385
Exploration, evaluation and development expenditure	10	400,090	262,924
Investments accounted using the equity method	12	190	190
Financial assets	11	1,391	2,739
Plant and equipment	13	584,148	319,494
Intangible assets	14	76,029	44,024
Deferred tax assets	15	83,704	24,386
<b>Total non current assets</b>		<b>1,148,850</b>	<b>657,142</b>
<b>Total assets</b>		<b>1,435,929</b>	<b>970,057</b>
<b>LIABILITIES - Current</b>			
Trade and other payables	16	162,374	91,690
Borrowings	17	34,754	64,378
Income tax payable		4,985	26,275
Provisions	18	13,628	9,304
<b>Total current liabilities</b>		<b>215,741</b>	<b>191,647</b>
<b>LIABILITIES – Non current</b>			
Borrowings	17	152,321	37,659
Deferred tax liabilities	15	141,762	102,503
Provisions	18	9,354	10,742
<b>Total non current liabilities</b>		<b>303,437</b>	<b>150,904</b>
<b>Total liabilities</b>		<b>519,178</b>	<b>342,551</b>
<b>Net assets</b>		<b>916,751</b>	<b>627,506</b>
<b>EQUITY</b>			
Issued capital	19	484,739	359,619
Reserves	20	6,012	4,927
Retained earnings		405,109	242,104
Parent interest		895,860	606,650
Non-controlling interest		20,891	20,856
<b>Total equity</b>		<b>916,751</b>	<b>627,506</b>

The accompanying notes form an integral part of the statement of financial position

**Mineral Resources Limited**

**Statement of Changes in Equity**

**for the year ended 30 June 2012**

<b>Consolidated</b>	<b>Contributed Equity</b>	<b>Reserves</b>	<b>Retained Earnings</b>	<b>Total</b>	<b>Non- controlling interest</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Balance at 1 July 2010</b>	315,526	5,386	139,309	460,221	25,458	485,679
<b>Total comprehensive income for the year</b>	-	(459)	150,957	150,498	(464)	150,034
<b>Transactions with owners in their capacity as owners:</b>						
Share issue from exercise of options	37,467	-	-	37,467	-	37,467
Net proceeds from share issues	1,278	-	-	1,278	-	1,278
Share based payments	135	-	-	135	-	135
Employee share trust contributions	1,075	-	-	1,075	-	1,075
Shares issued in part consideration for acceptances of the off market takeover bid for Mesa Minerals Limited	4,138	-	-	4,138	(4,138)	-
Dividends paid	-	-	(48,162)	(48,162)	-	(48,162)
<b>Balance at 30 June 2011</b>	<b>359,619</b>	<b>4,927</b>	<b>242,104</b>	<b>606,650</b>	<b>20,856</b>	<b>627,506</b>
<b>Balance at 1 July 2011</b>	359,619	4,927	242,104	606,650	20,856	627,506
<b>Total comprehensive income for the year</b>	-	1,085	242,204	243,289	35	243,324
<b>Transactions with owners in their capacity as owners:</b>						
Share issue from exercise of options	63,330	-	-	63,330	-	63,330
Net proceeds from share issues	7,246	-	-	7,246	-	7,243
Employee share trust movements	(1,193)	-	-	(1,193)	-	(1,193)
Shares issued in consideration for acceptances of the off market takeover bid for Auvex Resources Limited	55,737	-	-	55,737	-	55,737
Dividends paid	-	-	(79,199)	(79,199)	-	(79,199)
<b>Balance at 30 June 2012</b>	<b>484,739</b>	<b>6,012</b>	<b>405,109</b>	<b>895,860</b>	<b>20,891</b>	<b>916,751</b>

The accompanying notes form an integral part of the statement of changes in equity

Mineral Resources Limited

Statement of Cash Flows

for the year ended 30 June 2012

	Note	Consolidated	
		2012 \$'000	2011 \$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers		894,940	630,919
Cash payments to suppliers and employees		(602,696)	(438,076)
Interest received		5,046	5,122
Interest and other costs of finance paid		(6,437)	(5,638)
Income taxes paid		(47,961)	(1,631)
		<u>242,892</u>	<u>190,696</u>
Payments relating to the construction of a processing plant previously recovered from customer		-	(73,940)
<b>Net cash flows from operating activities</b>	<b>21(b)</b>	<u>242,892</u>	<u>116,756</u>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(277,843)	(161,030)
Proceeds from the sale of property, plant and equipment		3,347	63,929
Payments for the purchase of investments		(972)	(94)
Proceeds from the sale of investments		-	19,581
Payments for exploration and evaluation		(54,887)	(5,026)
Payments for mining development		(15,428)	-
Payments for intangibles		(33,632)	(1,527)
Payments for acquisition of subsidiary, net of cash acquired		235	-
<b>Net cash flows from investing activities</b>		<u>(379,180)</u>	<u>(84,167)</u>
<b>Cash flows from financing activities</b>			
Proceeds from share issue		3,344	-
Proceeds from exercise of share options		63,330	37,479
Share issue costs		-	(11)
Proceeds from borrowings		63,839	-
Repayment of borrowings		(23,100)	(17,187)
Dividends paid		(75,299)	(46,884)
<b>Net cash flows from financing activities</b>		<u>32,114</u>	<u>(26,603)</u>
<b>Net increase in cash and cash equivalents</b>		(104,174)	5,986
Cash and cash equivalents at the beginning of the financial period		<u>180,456</u>	<u>174,470</u>
<b>Cash and cash equivalents at the end of the financial period</b>	<b>21(a)</b>	<u>76,282</u>	<u>180,456</u>

The accompanying notes form an integral part of the statement of cash flows

## **Mineral Resources Limited**

### **Notes to the financial statements**

#### **for the year ended 30 June 2012**

##### **Note 1: Significant accounting policies**

These financial statements of Mineral Resources Limited ('the Company') for the year ended 30 June 2012 represent those of the Company and its controlled entities (collectively referred to as 'the Consolidated Entity' or 'the Group'). The separate financial statements of the parent entity, Mineral Resources Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The Company is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The financial report was authorised for issue in accordance with a resolution of directors dated 16 August 2012.

##### **(i) Basis of preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

In accordance with the relief available under ASIC Class Order 98/100, the financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$1,000) unless otherwise stated.

##### **Adoption of new and revised accounting standards**

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations has not resulted in a significant or material change to the Group's accounting policies.

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

**New standards issued but not yet effective**

At the date of this financial report the following standards, which may impact the entity in the period of initial application, have been issued but are not yet effective:

Reference	Title	Summary	Application date (financial years beginning)	Early Adoption
AASB 9	<i>Financial Instruments</i>	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013 (likely to be extended to 2015 by ED 215)	No
AASB 10	<i>Consolidated Financial Statements</i>	Replaces the requirements of AASB 127 and Interpretation 112 pertaining to the principles to be applied in the preparation and presentation of consolidated financial statements.	1 January 2013	No
AASB 11	<i>Joint Arrangements</i>	Replaces the requirements of AASB 131 pertaining to the principles to be applied for financial reporting by entities that have an interest in arrangements that are jointly controlled.	1 January 2013	No
AASB 12	<i>Disclosure of Interests in Other Entities</i>	Replaces the disclosure requirements of AASB 127 and AASB 131 pertaining to interests in other entities.	1 January 2013	No
AASB 127	<i>Separate Financial Statements</i>	Prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 January 2013	No
AASB 128	<i>Investments in Associates and Joint Ventures</i>	Prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 January 2013	No
AASB 13	<i>Fair Value Measurement</i>	Provides a clear definition of fair value, a framework for measuring fair value and requires enhanced disclosures about fair value measurement.	1 January 2013	No
AASB 119	<i>Employee Benefits</i>	Prescribes the accounting and disclosure for employee benefits. This Standard prescribes the recognition criteria when in exchange for employee benefits.	1 January 2013	No
IFRIC Interpretation 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>	This Interpretation clarifies the requirements for accounting for stripping costs in the production phase of a surface mine, such as when such costs can be recognised as an asset and how that asset should be measured, both initially and subsequently.	1 January 2013	Yes – from 1 July 2011

For the standards where the Group has decided not to early adopt, these changes in standards are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

## Mineral Resources Limited

### Notes to the financial statements

for the year ended 30 June 2012

#### (ii) Basis of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Mineral Resources Limited at the end of the reporting period. A controlled entity is any entity over which Mineral Resources Limited has the power to govern the financial and operating policies so as to obtain benefits from the entity's activities. Control will generally exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are also considered.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled.

In preparing the consolidated financial statements, all inter-Group balances and transactions between entities in the Group have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are shown separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

#### *Business combinations*

Business combinations occur where an acquirer obtains control over one or more businesses and results in the consolidation of its assets and liabilities.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The acquisition method requires that for each business combination one of the combining entities must be identified as the acquirer (i.e. parent entity). The business combination will be accounted for as at the acquisition date, which is the date that control over the acquiree is obtained by the parent entity. At this date, the parent shall recognise, in the consolidated accounts, and subject to certain limited exceptions, the fair value of the identifiable assets acquired and liabilities assumed. In addition, contingent liabilities of the acquiree will be recognised where a present obligation has been incurred and its fair value can be reliably measured.

The acquisition may result in the recognition of goodwill or a gain from a bargain purchase. The method adopted for the measurement of goodwill will impact on the measurement of any non-controlling interest to be recognised in the acquiree where less than 100% ownership interest is held in the acquiree.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements. Consideration may comprise the sum of the assets transferred by the acquirer, liabilities incurred by the acquirer to the former owners of the acquiree and the equity interests issued by the acquirer.

Fair value uplifts in the value of pre-existing equity holdings are taken to the statement of comprehensive income. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Included in the measurement of consideration transferred is any asset or liability resulting from a contingent consideration arrangement. Any obligation incurred relating to contingent consideration is classified as either a financial liability or equity instrument, depending upon the nature of the arrangement. Rights to refunds of consideration previously paid are recognised as a receivable. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is re-measured each reporting period to fair value through the statement of comprehensive income unless the change in value can be identified as existing at acquisition date.

## Mineral Resources Limited

### Notes to the financial statements

#### for the year ended 30 June 2012

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

#### *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 Group.

Shares held by the Mineral Resources Employee Share Trust are disclosed as treasury shares and deducted from contributed equity.

#### **(iii) Income tax**

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at the end of the reporting period. Current tax liabilities are therefore measured at the amounts expected to be paid to the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

#### *Tax consolidation*

Mineral Resources Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under tax consolidation legislation. Each entity in the group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. Current tax liabilities (assets) and deferred tax assets arising from unused tax losses and tax credits in the subsidiaries are immediately transferred to the head entity. The tax consolidated group has a tax funding agreement in place whereby each company in the group contributes to the income tax payable by the group in proportion to their contribution to the Group's taxable income. Differences between the amounts of net tax

## Mineral Resources Limited

### Notes to the financial statements

#### for the year ended 30 June 2012

assets and liabilities derecognised and the net amounts recognised pursuant to the funding arrangement are recognised as either a contribution by, or distribution to the head entity.

#### *Mineral Resource Rent Tax*

Mineral Resource Rent Tax (“MRRT”) is an additional tax on profits from the mining of iron ore and coal in Australia, and came into effect on 1<sup>st</sup> July 2012. In determining MRRT payable, a deduction (MRRT Starting Base Allowance) is provided for the value of mining assets at 1 May 2010 plus eligible expenditure to 30 June 2012. An election is able to be made to value the mining assets at 1 May 2010 at either market value or cost. The Group has elected to use market value.

#### **(iv) Inventories**

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost is assigned on a standard cost basis with the exception of contract specific requirements to use an average cost basis.

#### *Construction work in progress*

Construction work in progress is valued at cost, plus profit recognised to date less any provision for anticipated future losses. Cost includes both variable and fixed costs relating to specific contracts, and those costs that are attributable to the contract activity in general and that can be allocated on a reasonable basis.

Construction profits are recognised on the stage of completion basis and measured using the proportion of costs incurred to date as compared to expected actual costs. Where losses are anticipated they are provided for in full.

Construction revenue has been recognised on the basis of the terms of the contract adjusted for any variations or claims allowable under the contract.

#### **(v) Intangibles**

#### *Goodwill*

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### *Patents*

Patents acquired as part of a business combination are recognised separately from goodwill. The patents are carried at their fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of patents over their estimated useful lives.

#### *Port access rights*

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

## Mineral Resources Limited

### Notes to the financial statements

#### for the year ended 30 June 2012

##### *Operating leases*

Operating leases acquired as part of a business combination are recognised separately from goodwill. The leases 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 lease over their estimated useful lives.

##### **(vi) Revenue recognition**

##### *Revenue - goods sold*

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

##### *Services rendered*

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

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

##### *Construction contracts*

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

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

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

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

##### *Interest revenue*

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

**(vii) Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**(viii) 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.

*Sale of non current assets*

The net gain or loss on disposal is included in the statement of comprehensive income at the date control of the asset passes to the buyer, usually when an unconditional contract for sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

*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 comprehensive income as an expense as incurred.

*Revaluation*

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

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

*Depreciation*

The depreciable amount of plant and equipment is depreciated over their useful lives on a straight line basis commencing from the time the asset is ready for use. Mobile crushing plant and certain associated plant and equipment are depreciated on the usage method of depreciation.

<i>Class</i>	<i>Life</i>
Plant and equipment - other	3-20 years or the term of the lease
Beneficiation plant	Usage basis
Tracked plant and equipment	Usage basis

**(ix) Exploration and evaluation expenditure**

Exploration and evaluation expenditure related to an area of interest are carried forward as an asset in the statement of financial position where the rights of tenure of an area are current and it is considered probable that the expenditure will be recouped through successful development and exploitation of the area of interest, or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Otherwise, exploration and evaluation expenditure is written off as incurred.

Capitalised expenditure includes expenditure directly related to exploration and evaluation activities in the relevant area of interest including the generation of mining information. General and administrative costs are allocated to an exploration or evaluation asset only to the extent that those costs can be related directly to operational activities in the relevant area of interest.

Capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied.

Identifiable exploration assets acquired are recognised as assets at their fair value, as determined by the requirements of AASB 3 Business Combinations. Exploration and evaluation expenditure incurred subsequent to the acquisition of an exploration asset in a business combination is accounted for in accordance with this policy.

All capitalised exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that impairment may exist. Exploration and evaluation assets are also tested for impairment once commercial reserves are found, before the assets are transferred to development properties.

**(x) Development expenditure**

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

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

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

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

Development properties are tested for impairment in accordance with the policy on impairment of assets.

## Mineral Resources Limited

### Notes to the financial statements

for the year ended 30 June 2012

#### (xi) Development stripping

##### *Development stripping costs*

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 development stripping activities costs, inclusive of an allocation of relevant overhead expenditure, are initially capitalised to Exploration and Evaluation expenditure. Capitalisation of development stripping costs ceases at the time that saleable material begins to be extracted from the mine. On completion of development, all capitalised development stripping included in Exploration and Evaluation is transferred to Development expenditure. 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 income statement as operating costs when the ratio of waste material to ore extracted for an area of interest is expected to be constant throughout its estimated life.

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

- All costs are initially charged to the income statement and classified as operating costs.
- When the current ratio of waste to ore is greater than the estimated life-of-mine ratio, a portion of the stripping costs (inclusive of an allocation of relevant overhead expenditure) is capitalised to Development Expenditure.
- In subsequent years when the ratio of waste to ore is less than the estimated life-of-mine ratio, a portion of capitalised stripping costs is charged to the income statement as operating costs. The amount of production stripping costs capitalised or charged in a financial year is determined so that the stripping expense for the financial year reflects the estimated life-of-mine ratio. Changes to the estimated life-of-mine ratio are accounted for prospectively from the date of the change.

#### (xii) Impairment

##### *Financial instruments*

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline (exceeding 12 months) or significant decrease from cost (exceeding 33%) in the market value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income immediately. Also, any cumulative decline in fair value recognised in other comprehensive income is reclassified as an impairment loss at this point.

##### *Other assets*

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### (xiii) Investments

Investments in controlled entities are carried at cost.

## Mineral Resources Limited

### Notes to the financial statements

for the year ended 30 June 2012

#### (xiv) Interests in joint ventures

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

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

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

#### (xv) Financial instruments

##### *Recognition and initial measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Group becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transaction costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Fair value is determined based on current bid prices for all quoted investments.

##### *Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

##### *Classification and subsequent measurement*

##### Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

##### - Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

## Mineral Resources Limited

### Notes to the financial statements

for the year ended 30 June 2012

#### (xv) Financial instruments (Cont.)

- Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

- Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

- Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

- Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of comprehensive income unless they are designated as hedges. Assessments are made by the Group both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

- Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income, together with any changes in the fair value of hedged assets or liabilities that are attributable to the hedged risk.

- Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income. Amounts accumulated in the hedge reserve in equity are transferred to the statement of comprehensive income in the periods when the hedged item will affect profit or loss.

#### *Impairment*

Refer to note 1 (xii).

#### *Trade and Other Receivables*

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

**(xv) Financial instruments (Cont.)**

*Trade and Other Payables*

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 60 days of recognition of the liability.

*Interest bearing loans and borrowings*

Interest bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of comprehensive income over the period of the borrowing on an effective interest basis.

*Finance costs*

Finance costs comprise interest payable on borrowings calculated using the effective interest rate method, foreign exchange gains or losses, and gains or losses on hedging instruments that are recognised in the statement of comprehensive income. The interest expense component of finance lease payments is recognised in the statement of comprehensive income using the effective interest method.

*Foreign currency transactions*

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income, except where deferred in equity as a qualifying cash flow or net investment hedge. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of comprehensive income.

**(xvi) Lease payments**

*Operating lease payments*

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the total lease expense and spread over the lease term.

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

**(xvi) Lease payments (Cont.)**

*Finance lease payments*

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

**(xvii) Employee benefits**

Provision has been made for benefits accruing to employees in relation to annual leave, long service leave, workers' compensation and vested sick leave. No provision is made for non-vesting sick leave.

All on-costs, including payroll tax, workers' compensation premiums, superannuation and fringe benefits tax are included in the determination of provisions. Vested sick leave and the current portion of annual leave, long service leave and workers' compensation provisions are measured at the amount of the expected payment to the employee.

The portions of annual leave, long service leave and workers' compensation provisions expected to be settled later than one year, are discounted using interest rates on national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the statement of comprehensive income as incurred.

**(xviii) Share based payments**

Certain employees may be entitled to participate in option ownership schemes. The fair value of options granted is recognised as an expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the vesting period being the period during which the employees become unconditionally entitled to the options. The fair value of options granted is measured using a recognised valuation model, taking into account the terms and conditions upon which the options were granted. The number of options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised as an expense for the options granted is based upon the number of options that eventually vest.

**(xix) Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

*Warranties*

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

*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.

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

**(xix) Provisions (Cont.)**

*Rehabilitation*

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 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 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.

*Onerous contracts*

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable costs of meeting the obligations under the contract.

**(xx) Earnings per share**

*Basic earnings per share*

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

**(xxi) Australian goods and services tax**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

**(xxii) Share capital**

Dividends are provided for as a liability in the financial period in which they are declared.

Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

**(xxiii) 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.

**(xxiv) Comparatives**

Where required by Australian Accounting Standards, comparative information has been adjusted to conform to changes in presentation for the current financial year.

**(xxv) Critical accounting estimates and judgements**

*Provisions*

Refer to note 1 (xix).

*Impairment of goodwill and intangibles with indefinite useful lives*

The Group assesses goodwill and intangibles with indefinite useful lives for impairment at least annually. These calculations involve an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated.

*Mineral Resource Rent Tax ("MRRT") Starting Base Allowance*

In computing MRRT payable, a deduction is provided in respect of the market value of the mining assets as at 1 May 2010 plus eligible expenditure from that date to 30 June 2012 (Starting Base Allowance). The Group has elected market value to determine the starting value of the Starting Base Allowance. A provisional estimate of market value has been made as at reporting date. To the extent that recovery of the Starting Base Allowance is probable, a deferred tax asset is recognised on the temporary difference between the amount that is deductible for MRRT purposes and the carrying value of the assets in the accounts.

*Useful lives of plant and equipment*

The Group assesses the useful life of plant and equipment assets annually. The useful life is assessed with reference to the assets operational activity and commitments and adjustments made to reflect the duty expected of the plant and equipment. Adjustments to depreciation rates of plant and equipment where the expected useful life is deemed to have changed is reflected in the notes to this financial report.

The financial effect of this change in estimates on future financial years cannot be disclosed as the future estimated life of the assets involved cannot be reliably estimated.

## Mineral Resources Limited

### Notes to the financial statements

for the year ended 30 June 2012

#### (xxv) Critical accounting estimates and judgements (Cont.)

##### *Impairment of capitalised exploration and evaluation expenditure*

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Group decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved, probable and inferred mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

##### *Ore reserve and resource estimates*

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

##### *Units of production depreciation*

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

#### **Note 2: Statement of operations by segments**

##### **Business segments**

Mineral Resources Limited has identified its operating segments based on internal management reports that are reviewed by the executive committee (the Chief Operating Decision Makers) in assessing performance and in determining the allocation of resources.

Mineral Resources Limited continues to report its business results as two operating segments being mining services and processing (comprising the traditional contracting operations) and mining (comprising Polaris, Mesa, Auvex and the recently acquired Central Pilbara tenements) both operating within the resources sector of the Australian economy.

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

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

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

<b>30-Jun-12</b>	<b>Mining Services &amp; Processing \$'000</b>	<b>Mining \$'000</b>	<b>Central \$'000</b>	<b>Consolidated \$'000</b>
Segment revenue from continuing operations	935,059	202,923	126	1,138,108
Revenue between segments	(200,869)	(11,323)	(59)	(212,251)
External segment revenue from continuing operations	734,208	191,581	67	925,857
Interest income	275	174	4,597	5,046
Other revenue	5,212	1,822	956	7,990
Interest expense	(4,065)	(102)	(2,271)	(6,437)
Depreciation & amortisation	(48,816)	(18,446)	(1,460)	(68,722)
Impairment	(1,362)	(514)	(598)	(2,474)
Other expense	(473,252)	(137,445)	(17,647)	(632,702)
Reportable segment profit before income tax	203,485	37,070	(16,355)	224,200
Income tax expense	(47,788)	59,993	5,835	18,039
Profit for the year	155,697	97,063	(10,521)	242,239
Reportable segment assets	769,096	439,014	227,819	1,435,929
Exploration, evaluation and development assets	63,981	336,109	-	400,090
Reportable segment liabilities	293,172	101,799	124,207	519,178
Segment capital expenditure	206,278	109,622	8,550	324,490

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

**Note 2: Statement of operations by segments (Cont.)**

<b>30-Jun-11</b>	<b>Mining Services &amp; Processing \$'000</b>	<b>Mining \$'000</b>	<b>Central \$'000</b>	<b>Consolidated \$'000</b>
Segment revenue from continuing operations	593,066	-	17,244	610,290
Revenue between segments	(772)	-	-	(772)
External segment revenue from continuing operations	592,294	-	17,244	609,518
Interest income	954	406	3,905	5,266
Other revenue	-	3,242	20,227	23,468
Interest expense	(2,240)	(53)	(3,346)	(5,638)
Depreciation & amortisation	(25,947)	(64)	(265)	(26,275)
Impairment	(1,038)	-	-	(1,038)
Other expense	(379,946)	-	(16,439)	(396,385)
Reportable segment profit before income tax	186,451	1,157	21,307	208,915
Income tax expense	(56,733)	1,370	(3,059)	(58,422)
Profit for the year	129,718	2,527	18,247	150,493
Reportable segment assets	420,636	285,040	264,380	970,057
Exploration, evaluation and development assets	-	262,924	-	262,924
Reportable segment liabilities	138,209	63,912	140,430	342,551
Segment capital expenditure	188,683	772	2,437	191,892

**Other segment information**

**i. Segment revenue**

Revenues from external customers can be separated into the following categories; contract and operational revenue, the sale of goods and equipment and equipment rental. A breakdown of these revenues per class of product and service is detailed in Note 3.

**Mineral Resources Limited**  
**Notes to the financial statements**  
**for the year ended 30 June 2012**

**Note 2: Statement of operations by segments (Cont.)**

**ii. Revenue by geographical region**

Revenue attributable to external customers is disclosed below, based on the location of the external customer:

	<b>30 June 2012</b>	<b>30 June 2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Australia	513,850	462,437
China	319,195	147,081
Singapore	79,218	-
Switzerland	13,614	-
<b>Total revenue</b>	<b>925,877</b>	<b>609,518</b>

**iii. Assets by geographical region**

All assets used in the operations of the Company are located in Australia.

**iv. Major customers**

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

<b>Customer</b>	<b>2012</b>	<b>2012</b>
	<b>\$'000</b>	<b>% of total</b>
		<b>revenue</b>
Customer #1	300,464	32.5
Customer #2	174,013	18.8

<b>Customer</b>	<b>2011</b>	<b>2011</b>
	<b>\$'000</b>	<b>% of total</b>
		<b>revenue</b>
Customer #1	80,855	13.3
Customer #2	78,767	12.9

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2012

	Consolidated	
	2012	2011
	\$'000	\$'000
<b>Note 3: Revenue</b>		
Revenue from continuing operations		
Contract and operational revenue	468,700	232,644
Sale of goods and equipment	456,226	376,128
Equipment rental	931	746
	<u>925,857</u>	<u>609,518</u>
Other income		
Interest income	5,046	5,266
Profit on sale of property, plant and equipment	-	3,067
Foreign exchange gain	4,029	-
Gain on sale of financial assets	-	19,581
Other	3,961	820
	<u>13,036</u>	<u>28,734</u>

**Note 4: Profit before income tax**

a) Profit before income tax includes the following specific expenses not disclosed separately on the face of the statement of comprehensive income and included within other expenses:

Other expenses:

Rental expenses relating to operating leases	6,988	3,862
Travel and accommodation	16,710	8,755
Bank fees and charges	2,047	1,862
Foreign exchange loss	-	1,700
Loss on sale of fixed assets	349	-
Other	8,928	15,299
	<u>35,022</u>	<u>31,478</u>

b) Research and development expenditure	<u>43,963</u>	<u>29,043</u>
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Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2012

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Note 5: Income tax expense</b>		
The components of tax expense comprise:		
Current tax	28,789	26,274
Deferred tax	(48,461)	34,850
Under / (over) provision in respect of prior years	1,633	(2,702)
	<b>(18,039)</b>	<b>58,422</b>

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

Profit before income tax	224,200	208,915
Prima facie tax thereon at 30%	67,260	62,674
Other non-allowable items	1,960	379
Research and development concessions	(2,900)	(1,109)
Employee share trust	(358)	(1,208)
Recognition of previously unrecognised tax losses and temporary differences	(20,442)	-
Tax losses and temporary differences not recognised	(30)	388
Under / (over) provision in respect of prior years	1,633	(2,702)
<b>Income tax expense</b>	<b>47,123</b>	<b>58,422</b>
MRRT temporary difference	(65,162)	-
<b>Net Income tax (benefit) /expense attributable to profit</b>	<b>(18,039)</b>	<b>58,422</b>

**(a) Tax losses**

Unused tax losses for which no deferred tax asset has been recognised

	18,378	17,929
<b>Potential tax benefit at 30%</b>	<b>5,513</b>	<b>5,379</b>

All unused tax losses were incurred by Australian entities that are not part of the tax consolidated group.

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Note 6: Cash and cash equivalents</b>		
Cash at bank and on hand	71,920	94,141
Deposits at call	4,362	86,315
	<b>76,282</b>	<b>180,456</b>

Cash at bank and on hand is interest bearing at 3.50% (2011 4.75%).  
 Deposits at call are interest bearing at 0.18% USD (2011: USD nil, AUD between 4.75% and 5.85%).  
 The Group's exposure to interest rate risk is discussed in Note 28.

**Note 7: Trade and other receivables**

<b>Current</b>		
Trade and other debtors	129,711	107,980
Amounts due from customers under construction contracts	13,190	2,357
<b>Less</b>		
Provision for impairment	(1,001)	(978)
	<b>141,900</b>	<b>109,359</b>
<b>Non current</b>		
Security deposits	3,298	3,385
	<b>3,298</b>	<b>3,385</b>

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

Opening balance	(978)	(912)
Provision movement during the year	(23)	(66)
<b>Closing balance</b>	<b>(1,001)</b>	<b>(978)</b>

*Past due but not impaired*

As of 30 June 2012, trade receivables of \$53,746,000 (2011: \$6,172,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	<b>60 days</b>	<b>90 days +</b>	<b>Total past due</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Past due trade receivables	3,179	50,567	53,746

*Foreign exchange and interest rate risk*

Information about the Group's and the parent entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in Note 28.

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2012

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Note 7: Trade and other receivables (Cont.)</b>		
<u>Construction contracts</u>		
Contract costs incurred to date	279,975	55,547
Profit recognised to date	29,307	5,267
	<u>309,282</u>	<u>60,814</u>
Less: progress billings received and receivable	(300,345)	(60,310)
Net construction work in progress	<u>8,937</u>	<u>504</u>
Amounts due from customers	13,190	2,357
Amounts due to customers (Note 16)	(4,253)	(1,853)
	<u>8,937</u>	<u>504</u>
<b>Note 8: Inventories</b>		
Current		
Raw materials and stores	60,373	17,043
Work in progress	6,748	-
	<u>67,121</u>	<u>17,043</u>
<b>Note 9: Other assets</b>		
Current		
Prepayments	<u>1,771</u>	<u>2,013</u>

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2012

**Note 10: Exploration, evaluation and development expenditure**

Year ended 30 June 2012	Opening balance 1 July 2011 \$'000s	Acquisition of subsidiaries \$'000s	Additions \$'000s	Transfers \$'000s	Amortisation \$'000s	Write offs \$'000s	Closing balance 30 June 2012 \$'000s
Exploration and evaluation expenditure	262,924	78,609	54,885	(98,536)	-	-	297,882
Development expenditure	-	-	15,429	98,536	(11,757)	-	102,208
<b>Total</b>	<b>262,924</b>	<b>78,609</b>	<b>70,314</b>	<b>-</b>	<b>(11,757)</b>	<b>-</b>	<b>400,090</b>

Year ended 30 June 2011	Opening balance 1 July 2010 \$'000s	Acquisition of subsidiaries \$'000s	Additions \$'000s	Transfers \$'000s	Amortisation \$'000s	Write offs \$'000s	Closing balance 30 June 2011 \$'000s
Exploration and evaluation expenditure	257,898	-	5,299	-	-	(273)	262,924
Development expenditure	-	-	-	-	-	-	-
<b>Total</b>	<b>257,898</b>	<b>-</b>	<b>5,299</b>	<b>-</b>	<b>-</b>	<b>(273)</b>	<b>262,924</b>

The recoverability of the carrying amount of these assets is dependent on the successful exploitation of the areas of interest.

Consolidated	
2012 \$'000	2011 \$'000

**Note 11: Financial assets**

Current		
Financial assets at fair value through profit or loss	5	4,044
Non-current		
Available-for-sale financial assets	1,391	2,739
(a) Financial assets at fair value through profit or loss		
Net gain recognised as a result of the fair valuation of foreign exchange contracts	5	4,044

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

<b>Consolidated</b>	
<b>2012</b>	<b>2011</b>
<b>\$'000</b>	<b>\$'000</b>

**Note 11: Financial assets (Cont.)**

The Group has entered into forward exchange contracts which are economic hedges but do not satisfy the requirements for hedge accounting. These contracts are accounted for as held for trading. Changes in the fair value of these contracts are recorded in the statement of comprehensive income.

(b) Available-for-sale financial assets

Listed investments, at fair value		
Shares in listed corporations	1,391	1,377
Unlisted investments, at fair value		
Financial asset	-	1,362
<b>Total available-for-sale investments at fair value</b>	<b>1,391</b>	<b>2,739</b>

Fair value of shares in listed companies is determined by the closing price on the reporting date.

**Note 12: Investments accounted for using the equity method**

Interests are held in the following unlisted associated companies

Name	Principal Activities	Country of Incorporation	Shares	Ownership Interest		Carrying amount of investment	
				2012 %	2011 %	2012 \$'000	2011 \$'000
Minprocess Group Inc.	Mineral processing	Philippines	Ord	40	40	66	66
Iron Processing Group Inc.	Mineral processing	Philippines	Ord	40	40	54	54
Process Minerals International Pty Ltd Inc.	Mineral processing	Philippines	Ord	40	40	70	70
						<b>190</b>	<b>190</b>

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2012

Note 12: Investments accounted for using the equity method (Cont.)

	Consolidated	
	2012 \$'000	2011 \$'000
<b>Assets, Liabilities and Performance of Associates</b>		
Current assets	27	27
Non-current assets	189	189
<b>Total assets</b>	<b>216</b>	<b>216</b>
Current liabilities	(19)	(19)
Non-current liabilities	(733)	(733)
<b>Total liabilities</b>	<b>(752)</b>	<b>(752)</b>
<b>Net assets</b>	<b>(536)</b>	<b>(536)</b>
Revenues	-	-
Profit after income tax of associates	-	-

Ownership interest in Minprocess Group Inc., Iron Processing Group Inc. and Process Minerals International Pty Ltd Inc., at the Company's balance date was 40% of ordinary shares. The reporting date of the associates is 30 June.

Note 13: Plant and equipment

Consolidated	Plant & Equipment Financed Cost \$'000	Plant & Equipment Cost \$'000	Beneficiation Plant Cost \$'000	Tracked Plant & Equipment Fair value \$'000	Total \$'000
<b><u>Year ended 30 June 2012</u></b>					
Opening	55,019	261,999	-	2,476	319,494
Addition	44,325	277,110	-	1,536	322,971
Acquisition of subsidiary	-	1,519	-	-	1,519
Transfers	-	-	-	-	-
Disposals	-	(4,498)	-	-	(4,498)
Depreciation charge	(8,516)	(45,861)	-	(961)	(55,338)
<b>Closing</b>	<b>90,828</b>	<b>490,269</b>	<b>-</b>	<b>3,051</b>	<b>584,148</b>
<b>At 30 June 2012</b>					
Cost or fair value	109,498	619,313	-	5,294	734,105
Accumulated depreciation	(18,670)	(129,044)	-	(2,243)	(149,957)
	<b>90,828</b>	<b>490,269</b>	<b>-</b>	<b>3,051</b>	<b>584,148</b>

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2012

Note 13: Plant and equipment (Cont.)

	Plant & Equipment Financed Cost \$'000	Plant & Equipment Cost \$'000	Beneficiation Plant Cost \$'000	Tracked Plant & Equipment Fair value \$'000	Total \$'000
<b><u>Year ended 30 June 2011</u></b>					
Opening	47,536	107,665	57,000	2,538	214,739
Addition	30,862	161,030	-	-	191,892
Transfers	(17,816)	17,816	-	-	-
Disposals	-	(3,800)	(57,000)	(62)	(60,862)
Depreciation charge	(5,563)	(20,712)	-	-	(26,275)
<b>Closing</b>	<b>55,019</b>	<b>261,999</b>	<b>-</b>	<b>2,476</b>	<b>319,494</b>
<b><u>At 30 June 2011</u></b>					
Cost or fair value	65,173	345,182	-	3,758	414,113
Accumulated depreciation	(10,154)	(83,183)	-	(1,282)	(94,619)
	<b>55,019</b>	<b>261,999</b>	<b>-</b>	<b>2,476</b>	<b>319,494</b>

*Assets in the course of construction*

The carrying amounts of the assets disclosed above includes \$195,861,000 (2011: \$153,346,000) recognised in relation to plant and equipment in the course of construction.

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

**Note 14: Intangible assets**

<b>Consolidated</b>	<b>Goodwill</b>	<b>Patents</b>	<b>Port Access</b>	<b>Operating lease</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>2011</b>					
Cost	10,235	10,984	15,767	7,038	44,024
Accumulated amortisation and impairment	-	-	-	-	-
	<b>10,235</b>	<b>10,984</b>	<b>15,767</b>	<b>7,038</b>	<b>44,024</b>
Opening	10,235	10,921	14,303	7,038	42,497
Additions – acquisition of subsidiary	-	63	1,464	-	1,527
Amortisation	-	-	-	-	-
<b>Closing balance</b>	<b>10,235</b>	<b>10,984</b>	<b>15,767</b>	<b>7,038</b>	<b>44,024</b>
<b>2012</b>					
Cost	10,235	10,984	47,643	7,038	75,900
Accumulated amortisation and impairment	-	-	(923)	(704)	(1,627)
	10,235	10,984	46,720	6,334	74,273
Opening	10,235	10,984	15,767	7,038	44,024
Additions	-	-	33,632	-	33,632
Amortisation	-	-	(923)	(704)	(1,627)
<b>Closing balance</b>	<b>10,235</b>	<b>10,984</b>	<b>48,476</b>	<b>6,334</b>	<b>76,029</b>

**Impairment tests for cash generating units containing goodwill**

The following cash generating units have significant carrying amounts of goodwill.

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
PIHA Pty Ltd	8,817	8,817
Process Minerals International Pty Ltd	1,418	1,418
	<b>10,235</b>	<b>10,235</b>

The recoverable amount of the cash generating unit is based on value-in-use calculations. The calculations use cash flow projections based on the following year's budget and plan, extended over a period of five years. Cash flows into perpetuity are extrapolated using a growth factor relevant to the sector and business plan. A pre-tax discount rate is applied adjusted for the risk of the industry in which each unit operates.

Goodwill has an indefinite life.

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

**Note 14: Intangible assets (Cont.)**

*Impairment Disclosures*

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

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

Discount rate – 9% (2011: 11%)

Growth rate of cash flows – nil (2011: nil)

Management has based the value-in-use calculations on budgets for each cash generating unit. These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period which is consistent with inflation rates applicable to the locations in which the segments operate. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular cash generating unit.

<b>Consolidated</b>	
<b>2012</b>	<b>2011</b>
<b>\$'000</b>	<b>\$'000</b>

**Note 15: Deferred tax assets and liabilities**

*Deferred tax assets*

Opening balance	24,386	62,730
Charged / (credited) to statement of comprehensive income	62,775	(39,419)
Under/(over) provision from prior year	(2,264)	-
Charged / (credited) to equity	(1,193)	1,075
	<b>83,704</b>	<b>24,386</b>

Deferred tax assets represented by:

- MRRT	65,162	-
- trade and other receivables	470	298
- financial assets	1,020	1,121
- provisions	6,633	5,987
- borrowings	118	16
- employee share trust	1,022	3,111
- tax losses	8,152	10,839
- other	1,127	3,014
	<b>83,704</b>	<b>24,386</b>

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2012

**Note 15: Deferred tax assets and liabilities (Cont.)**

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Deferred tax liabilities</i>		
Opening balance	102,503	108,028
Charged / (credited) to statement of comprehensive income	14,313	(4,595)
Credited to equity	(930)	(930)
Arising on acquisition of subsidiary	24,651	-
Under provision from prior year	1,225	-
	<b>141,762</b>	<b>102,503</b>
Deferred tax liabilities represented by:		
- trade and other receivables	2,346	3,364
- inventory	-	8
- financial assets	-	517
- plant and equipment	18,339	19,737
- exploration and evaluation	121,077	78,877
	<b>141,762</b>	<b>102,503</b>

**Note 16: Trade and other payables**

Current		
Unsecured liabilities		
Trade creditors and accruals	158,121	89,837
Amounts due to customers under construction contracts (Note 7)	4,253	1,853
	<b>162,374</b>	<b>91,690</b>

**Note 17: Borrowings**

Current		
Secured liabilities		
- bank loan	194	50,000
- finance lease liabilities	34,560	14,378
	<b>34,754</b>	<b>64,378</b>
Non-current		
Secured liabilities		
- bank loans	112,864	8,596
- finance lease liabilities	39,457	29,063
	<b>152,321</b>	<b>37,659</b>

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

**Note 17: Borrowings (Cont.)**

**Details of the security held are as follows:**

Bank facilities are secured by:

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

Finance lease liabilities are secured over individual assets financed in the normal operation of a finance lease agreement in the first instance and then by the bank security described above.

*Finance facilities*

(a) The Group has access to the following lines of credit:

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank overdraft limit	3,600	3,600
Amount utilised	-	-
<b>Unused facility</b>	<b>3,600</b>	<b>3,600</b>
Finance lease liabilities limit	140,750	77,000
Amount utilised	(74,017)	(42,073)
<b>Unused facility</b>	<b>66,733</b>	<b>34,927</b>
Bank loans limit	133,404	58,722
Amount utilised	(113,058)	(58,596)
<b>Unused facility</b>	<b>20,346</b>	<b>126</b>

**Facility use, expiry and interest rates:**

*Bank overdraft*

This facility is an overdraft offset facility that can be drawn to a maximum of \$3,600,000. The facility is renewable on an annual basis and is due for renewal on 30 December 2012. Interest is charged on this account at the National Australia Bank Indicator Rate plus a margin of 0.75%. At the balance date this rate was 9.31% per annum. This rate can vary.

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2012

**Note 17: Borrowings (Cont.)**

*Finance lease facilities*

Finance lease contracts are utilised to finance the acquisition of plant and equipment. The Group has a combination of a revolving limit and separately approved finance lease contracts. The contracts are negotiated on current interest rates and terms depend on the particular equipment purchased and the contract expires on completion of the payment schedule. Average interest rates and the unexpired terms of the contracts are disclosed in Note 28.

*Bank loans and bill facilities*

Bank loan and bill facilities are comprised of:

- Bank loan facilities of \$126,446,000, with \$76,000,000 expiring 31 October 2013 and \$50,446,000 expiring 30 December 2016.

- Floating rate bill facility of \$6,958,000. This floating rate bill has an expiry date of 31 December 2013.

**Note 18: Provisions**

<b>Consolidated</b>	<b>Employee Entitlements \$'000</b>	<b>Warranty \$'000</b>	<b>Project Closure \$'000</b>	<b>Site Rehabilitation \$'000</b>	<b>Total \$'000</b>
<b>2012</b>					
Opening balance	6,829	1,201	5,646	6,370	20,046
Additional provisions	13,643	-	390	1,700	15,733
Amounts used	(8,445)	-	(942)	(2,209)	(11,596)
Amounts written back	-	(1,201)	-	-	(1,201)
<b>Closing balance</b>	<b>12,027</b>	<b>-</b>	<b>5,094</b>	<b>5,861</b>	<b>22,982</b>
Current	11,902	-	1,726	-	13,628
Non-current	125	-	3,368	5,861	9,354
	<b>12,027</b>	<b>-</b>	<b>5,094</b>	<b>5,861</b>	<b>22,982</b>
<b>2011</b>					
Opening balance	4,732	952	4,615	6,370	16,669
Additional provisions	6,903	693	1,031	-	8,627
Amounts used	(4,806)	(444)	-	-	(5,250)
<b>Closing balance</b>	<b>6,829</b>	<b>1,201</b>	<b>5,646</b>	<b>6,370</b>	<b>20,046</b>
Current	6,768	1,201	1,335	-	9,304
Non-current	61	-	4,311	6,370	10,742
	<b>6,829</b>	<b>1,201</b>	<b>5,646</b>	<b>6,370</b>	<b>20,046</b>

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

**Note 19: Share Capital**

(a) Issued and paid up capital

Issued and paid up capital of the Company is 184,856,018 ordinary shares (2011: 169,168,017) at 30 June 2012.

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

(b) Movements in share capital

	<b>2012 Number</b>	<b>2011 Number</b>	<b>2012 \$'000</b>	<b>2011 \$'000</b>
Opening balance	169,168,017	161,283,695	359,619	315,526
Employee share options exercised	493,350	1,342,650	944	2,820
Unlisted share options exercised by recipients of consideration for acquisition of Polaris Metals NL	340,000	795,000	1,885	4,397
Unlisted share options exercised by Hancock Prospecting Pty Ltd	10,000,000	5,000,000	60,500	30,250
Shares issued for acquisition of Mesa Minerals Limited	-	634,390	-	4,138
Shares issued for acquisition of Auvex Resources Limited	4,500,000	-	55,737	-
Shares issued to director as part of the package approved by Shareholders on 19 November 2009.	-	-	3,345	-
Shares issued for dividend reinvestment	354,651	112,282	3,902	1,278
Employee share trust contributions	-	-	(1,193)	1,075
Share based payments	-	-	-	135
<b>Closing balance</b>	<b>184,856,018</b>	<b>169,168,017</b>	<b>484,739</b>	<b>359,619</b>

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

**Note 19: Share Capital (Cont.)**

(c) Options

For information relating to the Mineral Resources Limited employee share option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year end, refer to Note 26 Share based payments.

For information relating to share options issued to key management personnel during the financial year, refer to Note 26 Share based payments.

**Options on issue at balance date:**

	<b>Number of options</b>	<b>Weighted average exercise price \$</b>
Outstanding at the beginning of the year	11,394,250	
Issued	-	-
Exercised	(10,825,350)	5.85
Expired	(120,000)	1.90
<b>Outstanding at year-end</b>	<b>448,900</b>	<b>2.00</b>
<b>Exercisable at year-end</b>	<b>448,900</b>	<b>2.00</b>

(d) Capital management

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through optimising the use of debt and equity.

The capital structure of the Group consists of debt, which includes borrowings, cash and cash equivalents, and equity attributable to equity holders of the parent entity, comprising issued share capital, reserves and retained earnings. Management and the Board balances the capital structure through payment of dividends, issue of new shares, repayment of existing debt and the acquisition of new debt.

The Group's overall capital management strategy remains unchanged from 2011.

**Note 20: Reserves**

*Asset Revaluation Reserve*

The asset revaluation reserve records the revaluations of tracked plant and equipment.

Movement in the asset revaluation reserve:

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	4,927	5,386
Net change in fair value	1,085	(459)
<b>Closing balance</b>	<b>6,012</b>	<b>4,927</b>

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2012

	Consolidated	
	2012	2011
	\$'000	\$'000
<b>Note 21: Cash flow information</b>		
(a) Reconciliation of cash		
Cash at bank and on hand	76,282	180,456
	<b>76,282</b>	<b>180,456</b>
(b) Cash flows from operations		
Profit after tax	242,239	150,493
Non-cash flows in profit		
Depreciation and amortisation	68,723	26,275
Share based payments expense	-	135
Net gain on disposal of plant and equipment	349	(3,067)
Net gain on disposal of investments	-	(19,581)
Impairment losses	2,474	1,038
Changes in assets and liabilities:		
Trade receivables	(34,811)	(52,230)
Inventories	(47,721)	10,979
Financial assets	4,039	(5,037)
Other current assets	242	(1,237)
Trade payables and accruals	70,683	(51,153)
Provisions	2,937	3,377
Deferred tax assets	(60,511)	39,419
Current tax liability	(21,290)	21,940
Deferred tax liability	15,539	(4,595)
<b>Cash flows from operations</b>	<b>242,892</b>	<b>116,756</b>

During the year, the Group acquired plant and equipment with an aggregate value of \$44,325,000 (2011: \$30,862,000) by means of finance leases.

**Note 22: Operating and finance leases**

The operating leases have been entered into as a means of acquiring access to property. Rental payments are generally fixed.

Non-cancellable operating leases contracted for but not capitalised:

Payable:

- not later than one year	2,433	4,586
- later than one year but not later than five years	3,813	5,230
- later than five years	-	-
	<b>6,246</b>	<b>9,816</b>

**Mineral Resources Limited**  
**Notes to the financial statements**  
**for the year ended 30 June 2012**

**Note 22: Operating and finance leases (Cont.)**

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Payable:		
- not later than one year	38,596	17,130
- later than one year but not later than five years	42,150	30,709
- later than five years	-	-
<b>Minimum finance lease payments</b>	<b>80,746</b>	<b>47,839</b>
Less future finance charges	(6,729)	(4,398)
<b>Total finance lease liabilities</b>	<b>74,017</b>	<b>43,441</b>
Reconciled to:		
- Current liabilities	34,560	14,378
- Non current liabilities	39,457	29,063
	<b>74,017</b>	<b>43,441</b>

**Note 23: Commitments**

**Capital commitments**

Capital expenditure commitments contracted for:

Plant and equipment purchases within one year	82,308	52,426
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**Exploration expenditure commitments**

- not later than one year	4,188	3,531
- later than one year but not later than five years	8,955	6,725
- later than five years	17,118	15,585
	<b>30,261</b>	<b>25,841</b>

In order to maintain current rights to explore and mine the tenements held, the Group is required to perform minimum exploration work to meet the expenditure requirements specified by the Department of Mines and Petroleum.

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

**Note 24: Controlled entities**

(a) Controlled entities

The financial statements include the following controlled entities. The financial years of all controlled entities are the same as that of the Parent entity.

	Country of Incorporation and Operation	Class	Equity Holding	
			2012 %	2011 %
<b>Parent entity:</b>				
Mineral Resources Limited	Australia			
<b>Controlled entities:</b>				
Crushing Services International Pty Ltd	Australia	Large Proprietary	100.00%	100.00%
Eclipse Minerals Pty Ltd	Australia	Small Proprietary	100.00%	100.00%
HiTec Energy Pty Ltd	Australia	Small Proprietary	64.23%	64.23%
Mesa Minerals Limited	Australia	ASX Listed	64.23%	64.23%
PIHA Pty Ltd	Australia	Large Proprietary	100.00%	100.00%
Polaris Metals Pty Ltd (previously Polaris Metals NL)	Australia	Large Proprietary	100.00%	100.00%
Process Minerals International Pty Ltd	Australia	Large Proprietary	100.00%	100.00%
Auvex Resources Pty Ltd	Australia	Small Proprietary	100.00%	-

(b) Deed of cross guarantee

The parent entity has not entered into a deed of cross guarantee whereby the parent entity will provide that all parties to the deed will guarantee to each creditor payment in full of any debt of each company participating in the deed on winding up of that company.

**Note 25: Key management personnel disclosures**

The following were key management personnel (“KMP”) of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors:

- Mr J. Ricciardo
- Mr M. Dutton
- Mr K. Flynn
- Mr R. Welker\*\*

\*\* resigned 7 October 2011

Executive directors:

- Mr P. Wade (Chairman, Chief Executive Officer and Managing Director)
- Mr C. Ellison (Executive Director, Business Development)

Executives:

- Mr B. Gavranich (General Manager, PIHA)
- Mr S. Wyatt (General Manager, CSI)
- Mr D. Geraghty (Technical Director, PMI)
- Mr B. Goulds (Chief Financial Officer)
- Mr A. Haslam (General Manager – Iron Ore)

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

**Note 25: Key management personnel disclosures (Cont.)**

**Remuneration of key management personnel**

Refer to the remuneration report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel for the year ended 30 June 2012.

The totals of remuneration paid to KMP of the Group during the year are as follows:

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	4,665,602	2,894,861
Post-employment benefits	266,861	251,811
Other long-term benefits	-	-
Share-based payments	-	-
	<b>4,932,463</b>	<b>3,146,672</b>

**Equity instruments**

No equity instruments were granted to directors or key management personnel during the year.

**Exercise of options granted as remuneration**

There were no amounts unpaid on the shares issued as a result of the exercise of options.

**Option holdings and transactions**

	Opening Balance	Granted	Exercised	Closing Balance	Vested	Unvested
D. Geraghty	400,000	-	(200,000)	200,000	200,000	-

**Equity holdings and transactions**

The movement during the current year in the number of ordinary shares of Mineral Resources Limited held directly or indirectly by each key management person, including their related parties is as follows:

	Opening Balance	Options Exercised	Purchase on open market	Sales on open market	Closing Balance
P. Wade	3,416,162	-	-	(2,000,000)	1,416,162
J. Ricciardo	1,947,870	-	-	(417,881)	1,529,989
C. Ellison	30,447,815	-	-	(3,447,815)	27,000,000
M. Dutton	500,000	-	-	(485,000)	15,000
S. Wyatt	11,757,344	-	-	(2,700,000)	9,057,344
B. Gavranich	6,754,420	-	-	(1,647,825)	5,106,595
D. Geraghty	1,439,799	200,000	-	(165,000)	1,474,799
B. Goulds	300,000	-	-	-	300,000

**Mineral Resources Limited**  
**Notes to the financial statements**  
**for the year ended 30 June 2012**

**Note 26: Share based payments**

The following share based payment arrangements existed at 30 June 2012.

**David Geraghty's options**

As part of David Geraghty's engagement as Technical Director of Process Minerals International Pty Ltd, he has been allocated up to 600,000 Options exercisable at an average price of 1.90 and an expiry date of 3 years after the date of issue. The securities have been issued in 3 equal tranches on 15 January 2008, 15 January 2009 and 15 January 2010. A total of 200,000 options remain unexercised.

**Share based payment expense**

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

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Options issued under employee option plan	-	135
	-	<b>135</b>

**Note 27: Auditor's remuneration**

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
RSM Bird Cameron Partners:		
Audit and review of financial reports	361,000	389,500
Other auditors		
Audit and review of financial reports	-	10,653
	<b>361,000</b>	<b>400,153</b>
RSM Bird Cameron:		
Taxation services	260,385	162,715
	<b>260,385</b>	<b>162,715</b>
	<b>621,385</b>	<b>562,868</b>

**Note 28: Financial instruments**

*Financial risk management policies*

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, loans to and from subsidiaries, leases, and derivatives.

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2012

**Note 28: Financial instruments (Cont.)**

The main purpose of non-derivative financial instruments is to raise finance for Group operations. Derivatives are used by the Group for hedging purposes. Such instruments consist of forward exchange contracts and options. The Group does not speculate in the trading of derivative instruments.

*Treasury risk management*

The Chief Financial Officer manages financial risk exposure and treasury management strategies in the context of the most recent economic conditions and forecasts. The overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. The Board reviews treasury risk strategies on a regular basis.

*Financial risk exposures and management*

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, and credit risk.

*Liquidity risk*

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

At 30 June 2012, the Group had unutilised standby credit facilities totalling \$90,679,000 (2011: \$38,653,000).

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the statement of financial position date to the contractual maturity date. As the amounts disclosed in the table are the contractual undiscounted cash flows, these balances will not necessarily agree with the amounts disclosed in the statement of financial position.

	30 June 2012					30 June 2011				
	Less than 6 months \$'000	6 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000	Less than 6 months \$'000	6 to 12 Months \$'000	1 to 5 Years \$'000	Over 5 Years \$'000	Total \$'000
<b>Financial liabilities due for payment</b>										
Trade and other payables	162,374				162,374	91,690				91,690
Borrowings	17,910	16,844	152,321	-	187,075	9,783	58,859	37,009	784	106,435
	<b>180,284</b>	<b>16,844</b>	<b>152,321</b>	<b>-</b>	<b>349,449</b>	<b>101,473</b>	<b>58,859</b>	<b>37,009</b>	<b>784</b>	<b>198,125</b>
<b>Financial assets – cash flows realisable</b>										
Cash and cash equivalents	76,282	-	-	-	76,282	180,456	-	-	-	180,456
Trade and other receivables	141,900	-	3,298	-	145,198	108,705	654	3,385	-	112,744
Other financial assets	5	-	1,391	-	1,396	4,044	-	2,739	-	6,783
	<b>218,187</b>	<b>-</b>	<b>4,689</b>	<b>-</b>	<b>222,876</b>	<b>293,205</b>	<b>654</b>	<b>6,124</b>	<b>-</b>	<b>299,983</b>
<b>Net (outflow)/inflow on financial instruments</b>	<b>37,903</b>	<b>(16,844)</b>	<b>(147,632)</b>	<b>-</b>	<b>(126,573)</b>	<b>191,732</b>	<b>(58,205)</b>	<b>(30,885)</b>	<b>(784)</b>	<b>101,858</b>

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

**Note 28: Financial instruments (Cont.)**

*Credit risk exposures*

Credit exposure represents the extent of credit related losses to which the Group may be subject on amounts to be received from financial assets. The Group, while exposed to credit related losses in the event of non-performance by counterparties to financial instruments, does not expect that any counterparties will fail to meet their obligations.

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

*Foreign currency risk*

The Group is exposed to fluctuations in foreign currencies arising from the sale of goods in currencies other than the Group's measurement currency.

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.

At reporting date, the details of outstanding forward exchange contracts are:

	<b>Buy Australian Dollars</b>		<b>Average Exchange Rate</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>		
Sell United States Dollars				
Forward contracts; settlement less than 6 months <sup>1</sup>	3,814	44,085	1.0489	0.9754
Collar options	159,869	-	1.0071	-

<sup>1</sup> Contracts above relate to the July to September 2012 period (2011: July to September 2011).

*Interest rate risk*

Interest rate risk is managed fixed rate debt. It is the policy of the Group to keep all debt on fixed interest rates unless funding plant constructions that are drawn down using flexible rate equipment loans that are converted to fixed rate instruments on completion of the project.

The Group is exposed to interest rate risk as follows:

<b>Consolidated 2012</b>	<b>Effective Interest Rate</b>	<b>Total \$'000</b>	<b>Floating Interest Rate \$'000</b>	<b>1 year or less \$'000</b>	<b>Over 1 year to 5 years \$'000</b>
Cash and cash equivalents	2.13%	76,282	76,282	-	-
Interest bearing liabilities – current*	6.88%	34,754	-	34,754	-
Interest bearing liabilities – non-current*	6.86%	152,321	-	-	152,321

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

**Note 28: Financial instruments (Cont.)**

<b>Consolidated 2011</b>	<b>Effective Interest Rate</b>	<b>Total \$'000</b>	<b>Floating Interest Rate \$'000</b>	<b>1 year or less \$'000</b>	<b>Over 1 year to 5 years \$'000</b>
Cash and cash equivalents	2.80%	180,456	180,456	-	-
Interest bearing liabilities – current*	6.16%	64,378	-	64,378	-
Interest bearing liabilities – non-current*	6.80%	37,659	-	-	37,659

\* These assets / liabilities bear interest at a fixed rate

*Financial Instruments Measured at Fair Value*

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using a fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

<b>Consolidated 2012</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:	5	-	-	5
Available-for-sale financial assets				
- listed investments	1,391	-	-	1,391
	<b>1,396</b>	<b>-</b>	<b>-</b>	<b>1,396</b>

**2011**

**Financial assets**

Financial assets at fair value through profit or loss:	4,044	-	-	4,044
Available-for-sale financial assets				
- listed investments	1,377	-	-	1,377
- unlisted investments	-	-	1,362	1,362
	<b>5,421</b>	<b>-</b>	<b>1,362</b>	<b>6,783</b>

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

**Note 28: Financial instruments (Cont.)**

<b>Consolidated</b>	<b>2012</b>		<b>2011</b>	
	<b>Carrying amount</b>	<b>Fair Value</b>	<b>Carrying amount</b>	<b>Fair Value</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trade and other payables	162,374	162,374	91,690	91,690
Borrowings	187,075	187,075	102,037	102,037
Cash and cash equivalents	76,282	76,282	180,456	180,456
Trade and other receivables	145,198	145,198	109,359	109,359
Other financial assets	1,396	1,396	6,783	6,783

*Estimation of fair values*

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

(i) *Interest bearing liabilities*

The fair value is estimated as the present value of future cash flows, discounted at market interest rates for homogeneous lease agreements. The estimated fair values reflect changes in interest rates.

(ii) *Trade and other receivables / payables*

All trade and other receivables and payables are current and therefore carrying amounts equal fair value.

*Sensitivity*

*Interest rate risk*

The Group has considered the sensitivity relating to its exposure to interest rate risk at reporting date. This analysis considers the effect on current year results and equity which could result in a change in this risk. The management processes employed to control these factors involve entering into fixed interest rate borrowings and the potential impact on the profit and equity would not be a material amount.

*Foreign currency risk*

The Group has considered the sensitivity relating to its exposure to foreign currency risk at reporting date. This sensitivity analysis considers the effect on current year results and equity which could result in a change in the USD / AUD rate. Management employed the use of forward exchange contracts to control this risk.

The table below summarises the impact of  $\pm 5\%$  strengthening / weakening of the AUD against the USD on the Group's post tax profit for the year and equity at reporting date with all other factors remaining equal.

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2012

**Note 28: Financial instruments (Cont.)**

	<b>Post tax profit 2012 \$'000s</b>	<b>Equity 2012 \$'000s</b>
AUD/USD + 5%	1,933	1,933
AUD/USD - 5%	(1,933)	(1,933)
	<b>Post tax profit 2011 \$'000s</b>	<b>Equity 2011 \$'000s</b>
AUD/USD + 5%	1,831	1,831
AUD/USD - 5%	(1,831)	(1,831)

*Financial instruments measured at fair value*

The Group has considered the sensitivity relating to its exposure to changes in the market price of shares held in listed companies and does not consider the amount material.

<b>Consolidated</b>	
<b>2012 \$'000</b>	<b>2011 \$'000</b>

**Note 29: Dividends paid or recommended**

Dividends Paid

Final ordinary dividend for 2010/11 of 27 cents per share franked at a tax rate of 30% paid on 20 October 2011 (2011: 13.6 cents per share franked at a tax rate of 30% paid on 18 November 2010)

49,647	22,813
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Interim ordinary dividend for 2011/12 of 16 cents per share franked at a tax rate of 30% paid on 5 April 2012 (2011: 15 cents per share franked at a tax rate of 30% paid on 7 April 2011)

29,553	25,349
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<b>79,200</b>	<b>48,162</b>
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**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

**Note 29: Dividends paid or recommended (Cont.)**

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Proposed final ordinary dividend for 2011/12 of 30.0 cents per share franked at a tax rate of 30% and to be paid on 26 October 2012 (2011: 27 cents per share franked at a tax rate of 30% paid on 20 October 2011)	55,457	49,619
Franking Credits Franking credits available for subsequent financial years based on a tax rate of 30%	17,538	1,408
Balance of franking account at year end adjusted for franking credits arising from: - payment for income tax subsequent to the reporting date.	37,654	27,691

The reduction of the franking account from the payment of the dividend on 26 October 2012 will be \$23,767,000 (2011: \$21,265,000).

**Note 30: Earnings per share**

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
The following reflects the income and share data used in the calculations of basic and diluted earnings per share:		
Net-profit attributable to ordinary shareholders of the parent entity used in calculating basic and diluted earnings per share:	242,239	150,493
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	183,078,826	167,778,381
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	184,796,939	174,046,492
Basic earnings per share (cents per share)	132.3	89.7
Diluted earnings per share (cents per share)	131.1	86.5

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

**Note 31: Related party transactions and balances**

*Related party transactions*

Transactions between Group entities are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. All services provided by Group entities are at arm's length transactions. Transactions for the period between Group entities relate to the provision of goods and services, including shared resources, in relation to the ongoing business activities of the Company.

**2012**

	Balance receivable by \$'000s	Balance payable by \$'000s	Sales to Group companies \$'000s	Purchases from Group companies \$'000s
Mineral Resources Ltd	24,374	22,005	59	43,100
PIHA Pty Ltd	371	573	7,575	199
Crushing Services International Pty Ltd	2,172	20,713	147,825	14,296
Process Minerals International Pty Ltd	15,600	4,810	54,532	5,946
Polaris Metals Pty Ltd (previously Polaris Metals NL)	5,014	13,830	11,323	155,934
Eclipse Minerals Pty Ltd	-	-	-	
Mesa Minerals Limited	-	3,105	-	1,839
Auvex Resources Pty Ltd	17,506	1	-	-
HiTec Energy Pty Ltd	-	-	-	-

**2011**

	Balance receivable by \$'000s	Balance payable by \$'000s	Sales to Group companies \$'000s	Purchases from group companies \$'000s
Mineral Resources Ltd	881	4,185	654	265
PIHA Pty Ltd	1,438	74	9,657	475
Crushing Services International Pty Ltd	5,994	5,397	23,778	11,348
Process Minerals International Pty Ltd	3,162	1,839	2,855	24,193
Polaris Metals Pty Ltd (previously Polaris Metals NL)	772	130	30	128
Eclipse Minerals Pty Ltd	-	-	-	-
Mesa Minerals Limited	-	622	-	565
HiTec Energy Pty Ltd	-	-	-	-

Transactions between related and associated parties are on normal commercial terms and conditions no more favourable than those available to other non-related parties.

**Mineral Resources Limited**  
**Notes to the financial statements**  
**for the year ended 30 June 2012**

**Note 31: Related party transactions and balances (Cont.)**

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Certain engineering services were provided by GR Engineering Services Limited, a company related to Joe Ricciardo.	3,518	1,526
Certain engineering services were provided to GR Engineering Services Limited, a company related to Joe Ricciardo.	-	91
Certain crushing and engineering services were provided by Global Advanced Metals Pty Ltd (formerly Talison Tantalum Pty Ltd), a company related to Kelvin Flynn in the previous financial year.	1,861	-
Certain crushing and engineering services were provided to Global Advanced Metals Pty Ltd (formerly Talison Tantalum Pty Ltd), a company related to Kelvin Flynn in the previous financial year.	23,911	-
Properties from which the Company's operations are performed are rented from parties related to Chris Ellison and Peter Wade.	1,527	1,638

*Related party balances*

	<b>Associated Director</b>	<b>Balance at 30 June 2012 \$'000</b>	<b>Balance at 30 June 2011 \$'000</b>
<b>Receivable by the Group</b>			
Sandini Pty Ltd	C Ellison	20	6
<b>Payable by the Group</b>			
GR Engineering Services Limited	J Ricciardo	238	-

**Note 32: Subsequent events**

Apart from those matters disclosed above, no other matters or circumstances have arisen since the end of the financial year which significantly affects the operations of the Group.

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

**Note 33: Contingent liabilities**

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

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Bank guarantees facility	27,676	23,349
Amount utilised	(14,356)	(20,453)
Unused facility	<u>13,320</u>	<u>2,896</u>

**Note 34: Parent Entity Information**

Information for Mineral Resources Limited

Current assets	184,653	201,234
Total assets	541,094	521,919
Current liabilities	14,794	85,212
Total liabilities	124,207	140,430
Issued capital	484,739	359,619
Retained earnings / (accumulated losses)	(67,852)	21,870
Total shareholders' equity	<u>416,887</u>	<u>381,489</u>
Net profit after tax of the parent entity	(10,521)	18,247
Total comprehensive income of the parent	<u>(10,521)</u>	<u>18,247</u>

There are no guarantees entered into by the parent entity in relation to the debts of its subsidiaries.

There are no contingent liabilities of the parent entity as at the reporting date.

There are no contractual commitments by the parent entity for the acquisition of property, plant and equipment as at the reporting date.

**Mineral Resources Limited**

**Notes to the financial statements**

**for the year ended 30 June 2012**

**Note 35: Acquisition of Auvex Resources Limited**

On the 2 August 2011, the Group completed the acquisition of Auvex Resources Limited (Auvex) through the acquisition of 100 % of the issued capital of Auvex via a scheme of arrangement.

The acquisition of Auvex was treated as an asset acquisition. Fair Value was based on the market value of MRL shares at acquisition date, issued to effect the acquisition. The total number of shares issued for the acquisition was 4,500,000.

The assets and liabilities arising from the acquisition are as follows:

	Fair Value \$'000
Cash	235
Trade and other receivables	26
Exploration and Evaluation expenditure	78,609
Plant and Equipment	1,518
Deferred Tax Liabilities	(24,651)
Net assets acquired	<u>55,737</u>
Cost of acquisition	<u>55,737</u>
Shares issued at fair value	<u>55,737</u>

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2012

**Note 36: Joint controlled assets**

In the prior year the Group accounted for its interest in the Mesa / Auvex Joint Venture under a contractual arrangement which did not give rise to a jointly controlled entity. Under the contractual arrangements, benefits were derived by the Group from the operation of the jointly owned assets, rather than from an interest in a jointly controlled entity. During the financial year the Group acquired 100% of the shares in Auvex and assets previously controlled by the Joint Venture are now aggregated within the Group. For the prior period, Mesa's share of net assets of the jointly controlled assets and operations as at the reporting date were:

	<b>2011 \$'000</b>
Current assets	
Cash and cash equivalents	67
Trade and other receivables	22
<b>Total current assets</b>	<b>89</b>
Non-current assets	
Plant and equipment	5
<b>Total non-current assets</b>	<b>5</b>
Current liabilities	
Trade and other payables	-
Total current liabilities	-
<b>Share of total net assets of joint venture</b>	<b>94</b>
Revenue	4,342
Expenses	(4,248)
<b>Profit before income tax</b>	<b>94</b>
Income tax expense	-
<b>Profit after income tax</b>	<b>94</b>

**Note 37: Company details**

The registered office and the principal place of business of the Company is 1 Sleat Road, Applecross, Western Australia 6153.

**Mineral Resources Limited**

**Directors' Declaration**

**for the year ended 30 June 2012**

1. In accordance with a resolution of the directors of Mineral Resources Limited, I state that:
  - (a) the financial statements, notes and the additional disclosures included in the Directors' Report designated as audited of the Group are in accordance with the *Corporations Act 2001*, including:
    - (i) giving a true and fair view of the financial position of the Group as at 30 June 2012 and of its performance for the year ended on that date; and
    - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1(i);
  - (b) there are reasonable grounds to believe the Group will be able to pay its debts as and when they become due and payable.
  
2. This declaration is made after receiving the declarations required to be made to the directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 30 June 2012.

Signed in accordance with a resolution of the directors made pursuant to section 295(5) of the *Corporations Act 2001* and is signed for and on behalf of the directors by:



PETER WADE  
Executive Chairman / Managing Director

Dated this 16 August 2012

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

**Report on the Financial Report**

We have audited the accompanying financial report of Mineral Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(i), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

*Auditor's Responsibility*

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

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

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

### *Independence*

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

### *Opinion*

In our opinion:

- (a) the financial report of Mineral Resources Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(i).

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

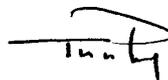
We have audited the Remuneration Report contained within the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### *Opinion*

In our opinion the Remuneration Report of Mineral Resources Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

*RSM Bird Cameron Partners*

RSM BIRD CAMERON PARTNERS



TUTU PHONG  
Partner

Perth, WA  
Dated: 16 August 2012