

MINERAL RESOURCES LIMITED
QUARTERLY EXPLORATION AND MINING ACTIVITIES REPORT
Quarter 2, FY2015 - DECEMBER 2014

HIGHLIGHTS

Iron Ore Production and Exports

- Record iron ore shipments at 2.8 Mt, up 4% on the previous quarter
- Mine production 2.3 Mt for the quarter as the Pilbara operations have been simplified to one mine
- Record Half Year Iron Ore Shipping (5.5Mt)

'000 WMTs	Half 1 FY15		Quarter1 FY15		Quarter 2 FY15	
	Produced	Shipped	Produced	Shipped	Produced	Shipped
<u>Utah Point</u>						
Iron Valley	1,057	823	113	-	944	823
Phil's Creek	1,678	1,862	1,511	1,324	167	538
Spinifex Ridge	445	363	422	283	23	80
Poondano	-	2	-	2	-	-
Total Utah Point	3,180	3,050	2,046	1,609	1,134	1,441
<u>KBT2 / Carina</u>	2,413	2,435	1,209	1,082	1,204	1,353
Total Iron Ore	5,593	5,485	3,255	2,691	2,338	2,794
Manganese	-	315	-	315	-	-
Grand Total	5,593	5,800	3,255	3,006	2,338	2,794

Pilbara Region

- Iron Valley project now fully operational
- Higher value lump preferred to maximise price achieved
- Mining and haulage operations at the two smaller Pilbara mines (Phil's Creek and Spinifex Ridge) were completed during the quarter
- Pilbara operations significantly simplified with the operation of one large mine at Iron Valley

Yilgarn Region

- Shipped tonnes 25% greater than Q1
- Cost saving initiatives are continuing to deliver significant savings
- Other cost saving initiatives such as moving to larger mining equipment, are in the final stages of evaluation
- As previously advised the Minister for Environment approved the J4 mine under Part IV of the *Environmental Protection Act 1986*.
- Approvals under the *Mining Act 1978* are expected during Q3FY15.

IRON VALLEY IRON ORE MINE

Mining and processing activities at Iron Valley expanded during the quarter following the completion of the Stockyard, Run of Mine and Skyway, haul roads and logistics infrastructure.

Mining operations and haulage of product are both now at steady state operations. Ore production mining is currently focussed on the lower benches and ore grades are meeting expectations. Mining development of the upper benches commenced with construction of access ramp to the mining area.

The crushing plant is now operating at name plate capacity and a milestone of 1,000,000 tonnes of lump and fines product crushed at Iron Valley has been achieved.

The workforce is at full strength, with most people redeployed from the Phil's Creek, Spinifex and Poondano operations.

Programs are being developed and implemented to maximise efficiencies in mining and crushing processes leading to the optimum cost structure across the operations at Iron Valley.

The iron Valley Lump product is achieving a significant price premium in the market compared with the fines product. In response, the crushing and screening flowchart and shipping schedules have been reconfigured to maximise lump production.

Initial beneficiation test work has commenced. If successful, the lower grade fines from the project could be used as plant feed at some stage in the future.



In Full Swing – Ore Stockpile and Infrastructure at Iron Valley

PHIL'S CREEK IRON ORE MINE

The mining and haulage operations at Phil's Creek were completed in late October for the time being. The lower grade lower channel iron deposit has been left in the ground and the mine is now in care and maintenance. Currently, Iron Valley can supply similar material at a lower cost.

SPINIFEX RIDGE IRON ORE MINE

The mining and haulage operations at Spinifex Ridge were completed during the quarter. The mine has now been handed back to Moly Mines for closure and rehabilitation in line with the terms of the Mine Gate Sales Agreement.

CARINA IRON ORE MINE

The Carina mine continues to develop according to plan through a series of refinements to optimise processes and further de-risk the operation.

During the quarter the Department of Environment Regulation granted a licence under the Environmental Protection Act 1986 to enable the completion and operation of water evaporation cells at Carina. Construction of 4 evaporation cells is almost complete and once operational they will significantly improve the dewatering capacity in the pit.

Earthworks for a rehabilitation trial on the waste rock landform also commenced during the quarter. This meets the Company's commitment to undertake progressive rehabilitation and will also provide valuable data to assist in optimising future rehabilitation work in the region.

In pit waste dumping is continuing and has contributed to a reduction in trucking requirements and mining costs together with improved environmental outcomes.



Dewatering - Evaporation Cell Construction

YILGARN MINE EXPANSION PROJECT

The focus in the Yilgarn has been on the expansion of mining operations to supplement and greatly extend the life of the Carina hub. Mining at the proposed satellite mines at J4, J5 and Bungalbin East will enable the Company to leverage Carina's established infrastructure and significantly prolong project life.

An independent Economic Impact Study conducted by AECOM forecasts a strong contribution to the WA economy including up to one billion dollars of Royalties paid to the State and almost 2,000 fulltime equivalent direct and indirect jobs over the life of the operations.

During the quarter the Minister for Environment approved the J4 mine under Part IV of the Environmental Protection Act 1986. Approvals *under the Mining Act 1978* can now proceed and the J4 mine is expected to be fully approved during Q3 FY15. Development of the project and construction is expected to commence during Q3, FY2015 and at this stage the target for first production is late 2015.

The Environment Minister's decision to approve J4 recognises the contribution to the economic development of the region and WA from the expansion of mining operations in the Yilgarn and the Company's ability to carefully manage environmental considerations.

Subsequent to the quarter end, the EPA published a recommendation on the J5 and Bungalbin East projects which will now be subject to an appeal and further interaction with the EPA, the Minister for the Environment and the WA Government.

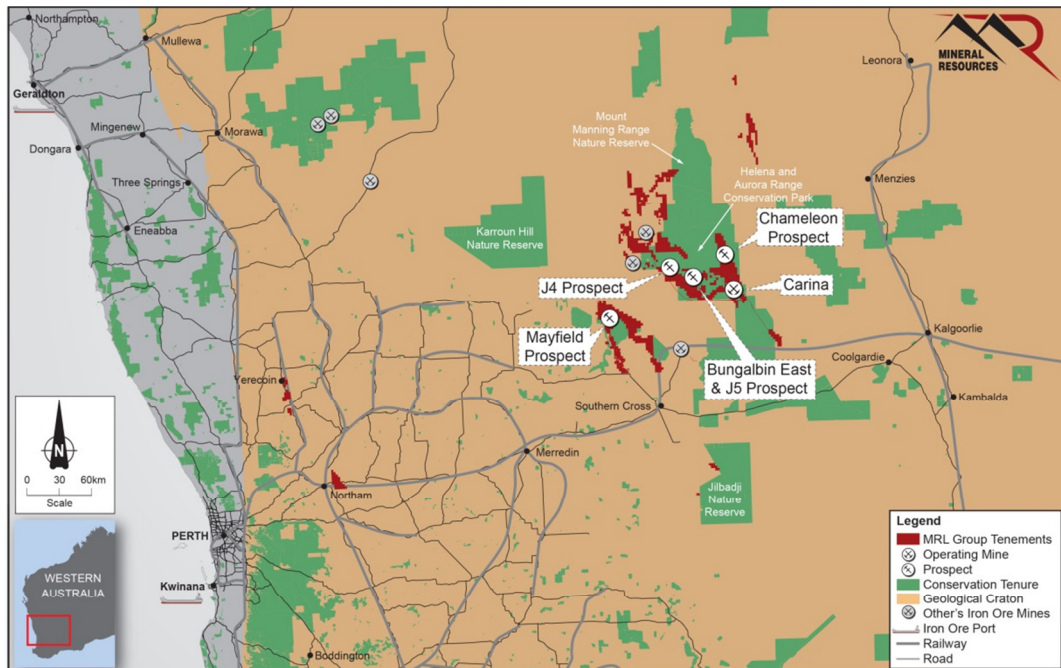
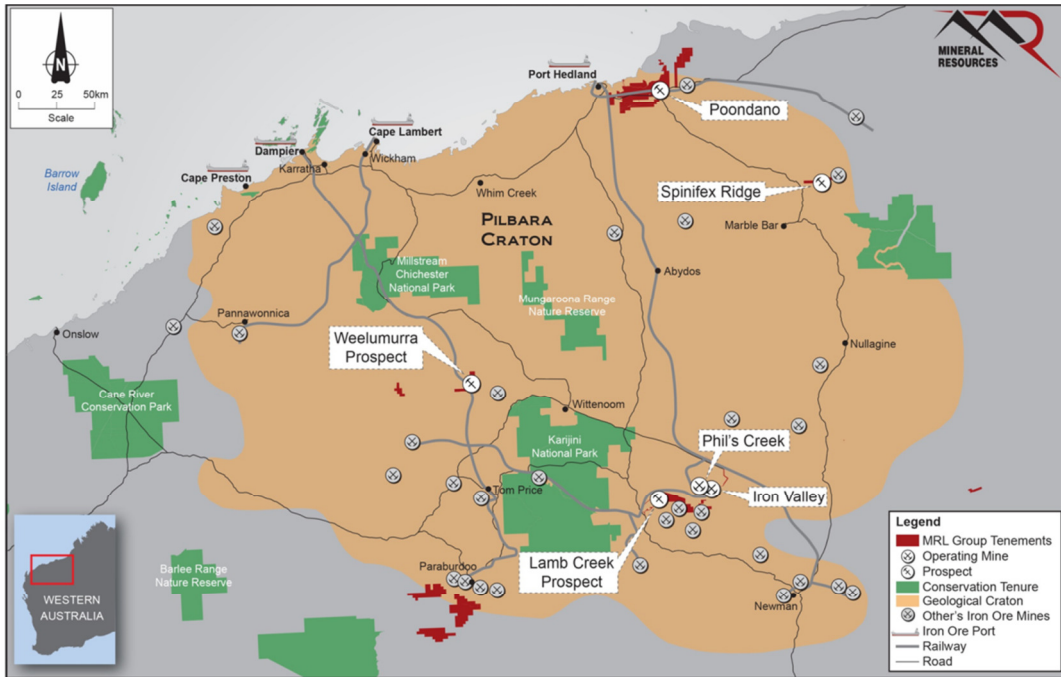
The Company is aware that the tenements concerned are within an area reserved for both mining and conservation and as a result detailed environmental work is required. The Company is confident that its practices including minimising site disturbance, locating infrastructure away from sensitive areas, back filling pits and its proven rehabilitation expertise can successfully balance environmental requirements with development.

The Company embraces the environmental approvals process and maintains strong environmental management systems to ensure the Company meets the legislative requirements and is also developing new initiatives to help position the Company as an industry leader in environmental management.

In addition to the \$100,000 Curtin University Post-Doctoral Research Fellow previously announced, the Company has committed to a partnership with Curtin University and six other mining companies to apply for an Australian Research Council grant. If successful, this will see a \$7M Industry Transformational Training Centre in Mining Restoration established.

EXPLORATION

Whilst the Company works through the Environmental and Mining approvals processes, minimal exploration activity has been undertaken. Field mapping activities aimed at reassessing all the Yilgarn and Pilbara tenure continues.



Two hubs - MRL's operations and major prospects in the Pilbara and Yilgarn regions