



Mineral Resources Limited

ABN 33 118 549 910

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19 August 2010

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

2010 Annual Financial Report

Directors of Mineral Resources Limited (Company) (ASX:MIN) are pleased to present the 2009/10 Financial Report to the markets.

HIGHLIGHTS:

- **Headline net profit after tax of \$97.2 million, an improvement of 119.4% on the previous year.**
- **Normalised net profit after tax (before one off tax adjustment) of \$62.5 million, an improvement of 26% on the previous year**
- **Final fully franked dividend of 13.6 cents, bringing the full dividend for the year to 20.0 cents per share.**

The Company has produced an outstanding financial result for the year having benefited from a strong contracting and commodity sector and underlying business fundamentals. Normalised net profit after tax (before one-off tax adjustments) of \$62.5 million (2009: \$49.6 million), is a 26% increase on 2009 and represents a solid measure of initial performance against the Company's strategic growth objectives in all aspects of the business. In addition, a number of positive one-off tax related adjustments have enhanced a record profit performance.

	*Normalised net profit after tax		Net profit after tax	
	\$AUD millions	% improvement on prior year	\$AUD millions	% improvement on prior year
2009/10	62.5	+26.0%	97.2	+119.4%
2008/09	49.6		44.3	

* before one-off tax and impairment benefits and charges.

Directors have decided to increase the annual dividend rate from the 2008/09 level and declared today a fully franked final dividend for the 2009/10 year of 13.6 cents per share, payable on 18 November, 2010 for all shareholders of record at 22 September 2010 giving a total fully franked dividend for the year of 20.0 cents per share. This represents an increase in total dividends paid to shareholders of



Mineral Resources Limited

ABN 33 118 549 910

34.8% over 2008/09, primarily reflecting the significant increase in the number of shares on issue during the period. This pay-out rate combined with the share price increase during the year (closing price on 30 June 2009, \$4.25; closing price 30 June 2010, \$8.10) has produced a significant improvement in shareholder value across the 2009/10 year.

Mineral Resources reports its business results as two operating segments being mining services and processing (comprising the traditional MRL operations) and mining (comprising the Polaris operations) operating within the resources sector of the Australian economy.

Concurrent with the achievement of producing an outstanding operating result for the year, the Company continues to pursue its previously nominated high growth strategy focused on volume expansion in both the services and processing/mining activities within the steel making commodities sector. In addition to increasing the underlying mining services base from the expansion of existing contracts and the acquisition of new work, the Company has increased its export volumes of both iron ore and manganese and has entered into agreements, and is progressing opportunities, for the development of increased production of commodities such as iron ore, manganese and lithium. This has been achieved from a combined growth strategy comprising organic growth, strategic alliances and also mergers and acquisitions.

Directors would like to welcome new shareholders coming onto the register during the year from the acquisition of both Polaris Metals and Mesa Minerals, from an expanded share base assisted by the on-market share placement in December 2009 and also from our strategic partners, Hancock Prospecting, which exercised its first tranche of share options in August 2010. Many of these new shareholders have continued to hold their investment in the Company which is a strong reflection of the positive sentiment towards our business.

Consistent with a heavy focus toward developing growth objectives across all facets of the business, the Company remains focused on the fundamental operational factors of cost control, cash flow and client relationships to optimise the ongoing returns for all stakeholders.

Throughout 2009/10 the Company has continued to establish itself as a significant player in the resource sector and also within the general financial and investing community. Successful generation of expansion in shareholder value has been achieved through the solid management of the existing business and the success in seeking and accessing high value growth opportunities. Success for the 2009/10 year culminated in the Company being elevated to the ASX 200 index in early 2010 and in being successful in the Rio Tinto Iron Ore Supplier Recognition Program with awards as Overall Winner and for Excellence in the provision of Construction and Maintenance Services.

This has been an outstanding year and sets the stage for substantial further growth across all of our business activities. 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 business outcomes for all stakeholders.

Yours Sincerely,

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 2010

RESULTS FOR ANNOUNCEMENT TO THE MARKET				\$AUD'000
Revenue	Up	21.4%	to	312,643
Normalised profit after tax	Up	26.2%	to	62,529
Profit after tax attributable to members	Up	119.3%	to	97,185
Net profit for the year attributable to members	Up	119.3%	to	97,185

DIVIDENDS	For the year ended 30 June 2010	For the year ended 30 June 2009
Interim dividend (100% franked)	6.40 cents	7.0 cents
Final dividend (100% franked)	13.60 cents	12.35 cents
Total dividend (100% franked)	20.00 cents	19.35 cents

The record date for determining entitlements to the final dividend will be 22 September, 2010 and paid on 18 November, 2010. The company does not have a dividend investment plan in place.

	Current Period	Previous corresponding period
Net tangible asset backing per share (cents per share)	274.7	108.3

The 30 June 2010 Financial Report dated 19 August 2010 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 2010 Annual Financial Report.

MINERAL RESOURCES LIMITED
ABN 33 118 549 910

ANNUAL FINANCIAL REPORT 2010

Mineral Resources Limited

Directors Report

for the year ended 30 June 2010

Contents

Directors' Report
Remuneration Report
Auditor's Independence Declaration
Corporate Governance Statement
Financial Report

Directors' Declaration
Independent Auditor's Report
Directory
ASX Information

Calendar

Final dividend:-

- Ex dividend date
- Record date
- Payment date

Annual General Meeting

15 September 2010
22 September 2010
18 November 2010
18 November 2010

Mineral Resources Limited

Directors Report

for the year ended 30 June 2010

The directors present their report together with the financial statements of Mineral Resources Limited and of the consolidated entity, being the company and its subsidiaries for the period 1 July 2009 to 30 June 2010 and the independent audit thereon.

Directors

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

Peter Wade

Executive chairman and managing director

Date of Appointment: 27 February 2006

Mr Peter Wade has over 39 years experience in engineering, construction, project management and mining and infrastructure services.

Peter 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. Mr Wade 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, 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 and subsequently in 2008 the Executive Chairman..

Joe Ricciardo

Independent non-executive director

Appointed 26 June 2006

Joe Ricciardo has 32 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 Pty Ltd, a company that he initiated 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 2010

Chris Ellison

Executive director

Appointed 27 February 2006

Mr Chris Ellison 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 30 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.

Mark Dutton

Independent non-executive director

Appointed 8 November 2007

Mark has 14 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 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 a director of Banksia Capital a private equity manager focussed on Western Australia.

Kelvin Flynn

Independent non-executive director

Appointed 22 March 2010

Kelvin has 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.

Kelvin is the founder and managing director of merchant bank and advisory firm Sirona Capital, and is a director of privately held Talison Tantalum Pty Ltd, owner of the Wodgina mine and the world's largest primary deposit of tantalum.

Mineral Resources Limited

Directors Report

for the year ended 30 June 2010

Secretary

Bruce Goulds

Appointed Company Secretary on 27 February 2006.

Bruce Goulds has over 26 years of finance and commercial experience in various listed and unlisted corporations. His experience includes senior corporate management positions in Australian and overseas companies in the mining services, engineering, mining equipment industries servicing the Australasian mining and mineral processing sector.

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	
	Held	Attended	Held	Attended
P Wade	12	12	2	2
J Ricciardo	12	12	2	2
M Dutton	12	12	2	2
C Ellison	12	12	*	*
K Flynn	3	3	0	0

* - Not a member of the relevant committee

Other committees are convened as required.

Principal activities

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

Operating and financial review

Mineral Resources' business model has proved sustainable across the broader economic cycle having successfully navigated the broadest possible range of economic circumstances.

The consolidated entity recorded a profit after income tax of \$97.185 million for the year ended 30 June 2010 (up 119.4% on the previous year) with a normalised net profit after tax of \$62.529 million before the one off tax adjustment (up 26% on the previous year). By any standard these are outstanding results.

The consolidated entity is as an integrated supplier of goods and services to the resources sector and there has been no significant change in the nature of this activity during the period although the takeover of Polaris Metals NL and current takeover bid for Mesa Minerals Limited have impacted on the operating segment reporting and will provide significant benefits to the company operations in 2011 and beyond.

Strengthening commodity sales and prices in the second half of the year provided a positive result and Chinese commodities markets appear to have been factoring in to future growth a sustained demand for iron ore and steel making minerals. Export shipping prices have remained competitive and prices reflect the volume business

Mineral Resources Limited

Directors Report

for the year ended 30 June 2010

being developed by the company. The Australian dollar continues to be volatile on the back of world events but the impact on the company's overall result is minimal due to forward protection policies implemented during the year.

The consolidated entity has maintained its reputation as a contractor of choice with a world best practice safety performance, significant value adding to client's operations, and timely and efficient project completion. CSI was rewarded during the year with Rio Tinto's prestigious award as Overall Winner and winner of the award for Excellence in the provision of Construction and Maintenance Services in the Rio Tinto Iron Ore Supplier Recognition Program. This justly deserved recognition has established the company at the forefront of brand awareness in the mining services sector.

Work in hand remained at strong levels and all of the existing long term operations have continued to achieve our client's growing targets. Strong forward orders provide commercial support going forward and significant prospects exist to further grow the business with major infrastructure projects in resources and public utilities. For example, PIHA is currently executing major infrastructure support contracts and major resources industry development activities across the country as a result of its world class reputation in its field of underground services installation and pipelining operations to protect critical piping facilities against erosion and corrosion of the main carrier lines.

Mobilisation activities to support the additional contracting work opportunities and the development of further processing plants for improved production volumes continue to be undertaken with stringent quality and scheduled implementation programmes being achieved in all areas. In particular, the 19 mtpa crushing and processing plant for FMG at Christmas Creek is on target for its scheduled completion in early 2011. When operating, that will be the largest BOO contract crushing and processing plant in Australia.

Continued strength of MRL's business operations is a testament to the skill and support of the professional team involved in all aspects of the business. With the additional support of customers, suppliers and shareholders, the development plans have the prospect of expanding the company's business substantially and new development opportunities continue to be a key pillar in the overall corporate strategy.

On 16 July 2010, the company announced the next stage of development of the Mt Marion lithium project with its joint venture partner, Reed Resources Limited. This project has the prospect of substantially increasing world supply of spodumene (lithium oxide) for the production of lithium carbonate used in the production of lithium batteries and the operation is targeted for completion in early 2011.

On 5 August 2010, the Company announced its withdrawal from the Windimurra Vanadium Consortium having negotiated an exit package that provides a significant return to Mineral Resources' shareholders. This outcome will enable Mineral Resources to focus its resources on further development of its core business areas.

Corporately, the consolidated balance sheet has been further strengthened by the placement of 7.75 million shares in November 2009 to support the group's financial performance and aggressive growth strategy as well as providing the additional stock liquidity and turnover which propelled the company into the ASX 200 index. The shareholder base was further expanded by the issue of shares in consideration of the acquisition of Polaris Metals and Mesa Minerals. Operational cashflow improvements also assisted to finance the aggressive capital investment required to fund growth whilst continuing to improve the dividend return to shareholders.

During the year, the tax affairs of the Group were restructured to form a consolidated tax group, incorporating the newly acquired Polaris Metals. The reset of tax values from this provided for a significant overall up-lift in future tax benefits commencing in the current year. Also, tax losses previously unavailable to Polaris Metals were crystallised on entry into the consolidated group.

The off-market takeover bid for Mesa Minerals Limited is due to close on 27 August 2010. Mineral Resources have offered Mesa Minerals shareholders one Mineral Resources share for every 70.6 Mesa shares. At the time of releasing this report acceptances exceeded 62% of the issued capital of Mesa.

We believe that the outstanding achievements in 2009/10, with the expanded strategic and operational footprint of the operations and the broad based recognition and acceptance of the MRL business model, positions the

Mineral Resources Limited

Directors Report

for the year ended 30 June 2010

company well for strong organic growth into 2011 and beyond. The year has been notable in concluding what we consider to be significant and value enhancing acquisitions and the company will continue to selectively review mergers and acquisitions and strategic alliances that add to shareholder value.

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.

Dividends paid or recommended

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

- Final Ordinary Dividend for 2008/09 of 12.35 cents per share, franked at a tax rate of 30%, paid on 19 November 2009 amounting to \$15,561,344.
- Interim Ordinary Dividend for 2009/10 of 6.4 cents per share, franked at a tax rate of 30%, paid on 6 April 2010 amounting to \$9,983,881; and
- Final Ordinary Dividend for 2009/10 of 13.60 cents per share, franked at a tax rate of 30%, has been recommended by Directors amounting to \$22,692,112.

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 consolidated 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

During the year, RSM Bird Cameron Partners, the Company's auditor, has performed certain other services in addition to their statutory duties. Details of the amounts paid to the auditors are disclosed in Note 27 of the financial statements.

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.

Mineral Resources Limited

Directors Report

for the year ended 30 June 2010

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.

Remuneration report

This remuneration report details the policy for determining the remuneration of directors and executives 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. The Remuneration Committee shall set individual Board fees within the limit approved by shareholders. Shareholders must also 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 executives

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. Executives 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 reward 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.

Service agreements

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 on practices

Mineral Resources Limited
Directors Report
for the year ended 30 June 2010

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

	Commencement Date	Notice Period
Directors		
Non-executive Directors		
J Ricciardo	25 June 2006	n/a
M Dutton	7 November 2007	n/a
K Flynn	22 March 2010	n/a
Executive Directors		
P Wade – Executive Chairman/Managing Director	1 July 2006	6 months
C Ellison – Director/Business Development	1 July 2006	6 months
Executives		
S Wyatt - General Manager, CSI	1 July 2006	6 months
B Gavranich - General Manager, PIHA	1 July 2006	6 months
D Geraghty - Technical Director	1 July 2006	6 months
B Goulds - Chief Financial Officer	1 July 2006	6 months

Mineral Resources Limited

Directors Report

for the year ended 30 June 2010

Details and amounts of remuneration

2010	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	403,846	52,855	50,000	-	-	506,701
J.Ricciardo	90,000	-	8,100	-	-	98,100
C.Ellison	353,846	27,025	31,846	-	-	412,717
M.Dutton	190,000	-	8,100	1,009,824	-	1,207,924
K Flynn *	26,412	-	-	-	-	26,412
Total	1,064,104	79,880	98,046	1,009,824	-	2,251,854
<u>Key management personnel</u>						
B.Gavranich	353,846	30,665	31,846	-	-	416,357
S.Wyatt	353,846	39,757	25,000	-	-	418,603
D.Geraghty	250,058	17,376	25,000	-	173,600	466,034
B.Goulds	189,288	-	49,997	-	-	239,285
	1,147,038	87,798	131,843	-	173,600	1,540,279
Total	2,211,142	167,678	229,889	1,009,824	173,600	3,792,133

* appointed 22 March 2010

2009	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	350,000	52,456	100,000	-	-	502,456
J.Ricciardo	90,000	-	8,100	-	98,454	196,554
C.Ellison	350,000	25,572	31,500	-	-	407,072
M.Dutton	90,000	-	8,100	-	-	98,100
	880,000	78,028	147,700	-	98,454	1,204,182
<u>Key management personnel</u>						
B.Gavranich	350,000	20,694	31,500	-	-	402,194
S.Wyatt	350,000	38,607	31,500	-	-	420,107
D.Geraghty	220,524	19,328	25,437	-	335,600	600,889
B.Goulds	204,661	-	22,500	-	49,227	276,388
	1,125,185	78,629	110,937	-	384,827	1,699,578
Total	2,005,185	156,657	258,637	-	483,281	2,903,760

Mineral Resources Limited

Directors Report

for the year ended 30 June 2010

Options granted as remuneration

No options were granted to directors or key management personnel in the financial period ended 30 June 2010.

Options

At the date of this report, the unissued ordinary shares of the Company under option are as follows:

Date of Expiry	Exercise Price	Number under Option
15 Jan 2011	\$1.80	436,900
6 Aug 2011	\$6.05	10,000,000
31 Dec 2011	\$3.00	50,000
31 Dec 2011	\$4.31	232,500
31 Dec 2011	\$6.31	382,500
31 Dec 2011	\$6.50	300,000
15 Jan 2012	\$1.90	700,000
15 Jan 2013	\$2.00	1,077,500
15 Jan 2013	\$3.93	30,000
		<hr/>
		13,209,400

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

For details of options issued to directors and executives as remuneration, refer to the Remuneration Report.

During the year ended 30 June 2010, 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
28 Jul 2010	\$0.90	500,000
31 Dec 2010	\$1.81	15,000
15 Jan 2011	\$1.80	384,990
14 Jul 2011	\$1.81	10,000
28 Jul 2011	\$0.90	750,000
31 Dec 2011	\$3.00	25,000
31 Dec 2011	\$4.31	330,000
31 Dec 2011	\$4.50	52,500
31 Dec 2011	\$5.31	5,000
15 Jan 2012	\$1.90	650,000
28 Jul 2012	\$0.90	750,000
15 Jan 2013	\$2.00	360,000
15 Jan 2013	\$3.93	30,000
		<hr/>
		3,862,490

Mineral Resources Limited

Directors Report

for the year ended 30 June 2010

Since the end of the financial year, the following ordinary shares of the company were issued on the exercise of options granted

Date of Expiry	Exercise Price	Number under Option
15 Jan 2012	\$1.90	65,000
15 Jan 2013	\$2.00	37,500
31 Dec 2011	\$4.31	70,000
31 Dec 2011	\$4.50	100,000
6 Aug 2010	\$6.05	5,000,000
		<hr/>
		5,272,500

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

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	4,416,162	-
J Ricciardo	2,055,750	-
M Dutton	500,000	-
C Ellison	36,062,814	-
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 2010.

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

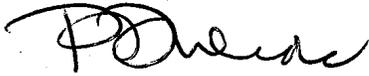
Directors Report

for the year ended 30 June 2010

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', with a large, stylized initial 'P'.

PETER WADE
Executive Chairman / Managing Director

Dated this 19th day of August 2010

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www.rsmi.com.au

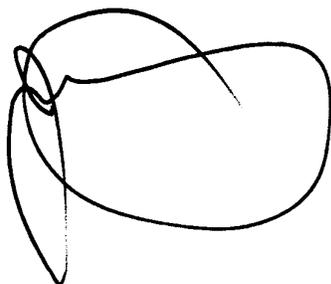
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Mineral Resources Limited for the year ended 30 June 2010, 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
Chartered Accountants



J A KOMNINOS
Partner

Perth, WA
Dated: 19 August 2010

Mineral Resources Limited
Corporate Governance Statement
for the year ended 30 June 2010

This statement outlines the Company's main corporate governance practices which have been in place throughout the financial year.

The Board considers it essential that directors and staff of Mineral Resources Limited employ sound corporate governance practices in carrying out their duties and responsibilities. Accordingly, a code of conduct has been issued to detail the expected behaviour required to ensure the company acts with integrity and objectivity.

A number of committees, which operate in accordance with their respective charters, have been established to assist the board in carrying out its responsibilities.

The Company has posted its corporate governance practices to its website: www.mineralresources.com.au. The code of conduct, committee charters and various policies are available on this website.

The ASX Corporate Governance Council released the second edition of its "Principles of Good Corporate Governance and Best Practice Recommendations" ("Recommendations") in August 2007. The directors of Mineral Resources Limited support 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.

Unless disclosed below, all Recommendations have been applied for the entire financial year ended 30 June 2010.

Statement of Non-Compliance with Recommendations

The Company uses alternative methods of good corporate governance to those included in the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" second edition.

Recommendation 2.2 The chair should be an independent director.

Recommendation 2.3 The roles of chair and chief executive officer should not be exercised by the same individual.

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.

Board of directors

The Board is accountable to shareholders for the performance of the Company. It oversees the activities and performance of management and provides an independent and objective view to the Company's performance.

The Board is comprised of three (3) non-executive directors and two (2) executive directors with a mix of skills and considerable experience in the resources and mining industry.

The details of the directors, their experience, qualifications, term of office, and independent status are set out in the Directors' Report.

The Recommendations state that to be considered independent, directors must be "independent of management and free from any business or other relationship that could materially interfere with (or could reasonably be perceived to materially interfere with) the exercise of their unfettered and independent judgement."

Messrs Ricciardo, Dutton and Flynn would satisfy all the tests of the Recommendations and are considered as being independent.

Mineral Resources Limited
Corporate Governance Statement
for the year ended 30 June 2010

In accordance with the Corporations Act 2001, any director who has an interest of any kind in relation to a matter dealt with at a board or committee meeting is required to advise the meeting and abstain from participation in the decision process.

All non-executive directors are subject to re-election at least every three years.

Independent professional advice may be sought by a director at the Company's expense with the prior approval of the chairman. A copy of advice received by the director is made available to the chairman to be dealt with at his discretion.

The Board meets regularly to review management reports on the operational and financial performance of Mineral Resources Limited.

Board committees

The Board has established committees to assist it in carrying out its responsibilities. The charters that identify the roles and responsibilities of the various committees have been approved by the board and are available on the Company's web site.

The Audit Committee, consisting three (3) non-executive directors and one (1) executive director, reviews the effectiveness of the risk management and other internal controls, the reliability of financial information and the effectiveness of the external audit function. To assist in this function the committee may invite the external auditor and senior executives to report to meetings. Any significant non-audit services to be provided by the external auditors must be approved in advance by the Audit Committee. The Audit Committee considers that the provision of those non-audit services provided to date by the external auditor would not affect the auditor's independence.

The Remuneration Committee, consisting of two (2) non-executive directors and one (1) executive director, advises the board on remuneration policies and practices generally, and makes specific recommendations to the board on remuneration packages and other terms of employment for senior executives and directors.

The Nomination Committee consists of two (2) non-executive directors and one (1) executive director. This committee reviews the composition of the board and makes recommendations on the appropriate skill mix, personal qualities, expertise and diversity.

Share trading guidelines

Directors and officers are encouraged to have a personal financial interest in Mineral Resources Limited by acquiring and holding shares on a long term basis.

The buying or selling of shares in Mineral Resources Limited is not permitted by any director or any officer of the company or their associates when that person is in possession of price sensitive information not available to the market in relation to those shares. Apart from that, the directors or their associates may buy or sell shares in Mineral Resources Limited at any time during the year other than for one (1) month prior to the date of lodgement of announcements regarding the results of the Company.

Directors, officers and their associates are required to inform the chairman of any intention to sell shares.

Continuous disclosure and shareholder communication

The secretary has been nominated as the person responsible for communications with the Australian Stock Exchange ("ASX"). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX listing rules.

Mineral Resources Limited
Corporate Governance Statement
for the year ended 30 June 2010

The Company has established a website to enhance communication with its shareholders and potential investors. The website contains historical information, copies of all information disclosed to the ASX and a corporate governance section that includes details of the various committee charters and policies. Shareholders, who have advised the Company of their email addresses, are notified by email of all announcements to the ASX.

Risk management

The Managing Director and Chief Financial Officer report annually to the Audit Committee on the Company's risk management system.

The Board considers an internal audit function is not necessary due to the nature and size of the Company's operations. The external auditors report to the Audit Committee on risk management issues identified during the course of the audit.

Mineral Resources Limited
Statement of comprehensive income
for the year ended 30 June 2010

	Note	Consolidated	
		2010 \$'000	2009 \$'000
Revenue from continuing operations	3	312,643	257,439
Other income	3	9,834	2,120
Changes in closing stock		4,403	3,049
Depreciation and amortisation		(19,296)	(18,407)
Employee benefit expenses			
. Share based payments		(2,884)	(2,728)
. Other employee benefits		(48,553)	(42,794)
Equipment costs		(18,804)	(23,585)
Finance costs		(5,113)	(3,323)
Impairment increment		29	(5,248)
Raw materials and consumables		(58,317)	(33,005)
Subcontractors		(15,165)	(13,960)
Transport and freight		(62,547)	(44,577)
Other expenses	4	(14,571)	(20,801)
Profit before income tax expense		81,659	54,180
Income tax revenue/(expense)	5	15,526	(9,872)
Profit for the year		97,185	44,308
Other comprehensive income			
Asset revaluation reserve		930	1,008
Other comprehensive income for the year		930	1,008
Total comprehensive income for the year		98,115	45,316
Profit/(loss) is attributable to:			
Owners of Mineral Resources Limited		97,327	44,308
Non-controlling interest		(142)	-
		97,185	44,308
Total comprehensive income is attributable to:			
Owners of Mineral Resources Limited		98,257	45,316
Non-controlling interest		(142)	-
		98,115	45,316
Basic earnings per share (cents per share)		68.5	35.8
Diluted earnings per share (cents per share)		66.9	35.1

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

Mineral Resources Limited

Statement of changes in equity

for the year ended 30 June 2010

	Note	Consolidated	
		2010 \$'000	2009 \$'000
ASSETS - Current			
Cash and cash equivalents	6	174,470	54,880
Trade and other receivables	7	56,778	36,777
Inventories	8	30,379	16,320
Financial assets		-	188
Other assets	9	776	659
Total current assets		262,403	108,824
ASSETS – Non current			
Trade and other receivables	7	10	7
Exploration and evaluation	10	257,898	-
Investments accounted using the equity method	12	189	189
Financial assets	11	4,350	2,405
Plant and equipment	13	214,739	157,033
Intangible assets	14	42,497	10,235
Deferred tax assets	15	62,730	10,127
Total non current assets		582,413	179,996
Total assets		844,816	288,820
LIABILITIES - Current			
Trade and other payables	16	142,828	40,494
Financial liability	11	993	-
Finance lease liabilities	17	12,644	9,829
Secured loans	17	14,100	-
Income tax payable		4,335	5,000
Provisions	18	5,684	4,439
Total current liabilities		180,584	59,762
LIABILITIES – Non current			
Trade and other payables	16	15	13
Finance lease liabilities	17	14,525	11,692
Deferred tax liabilities	15	108,028	14,890
Secured loans	17	45,000	45,000
Provisions	18	10,985	12,698
Total non current liabilities		178,553	84,293
Total liabilities		359,137	144,055
Net assets		485,679	144,765
EQUITY			
Issued capital	19	315,526	72,782
Reserves	20	5,386	4,456
Non-controlling interest		25,458	-
Retained earnings		139,309	67,527
Total equity		485,679	144,765

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 2010

Consolidated	Contributed Equity	Reserves	Retained Earnings	Total	Non- controll ing interest	Total
Balance at 1 July 2008	64,161	3,448	48,413	116,022	-	116,022
Total comprehensive income for the year	-	1,008	44,308	45,316	-	45,316
Transactions with owners in their capacity as owners:						
Share issue from exercise of options	1,093	-	-	1,093	-	1,093
Share based consideration for financial assets	4,800	-	-	4,800	-	4,800
Share based payments	2,728	-	-	2,728	-	2,728
Dividends paid	-	-	(25,194)	(25,194)	-	(25,194)
Balance at 30 June 2009	72,782	4,456	67,527	144,765	-	144,765
Balance at 1 July 2009	72,782	4,456	67,527	144,765	-	144,765
Total comprehensive income for the year	-	930	97,327	98,257	(142)	98,115
Transactions with owners in their capacity as owners:						
Share issue from exercise of options	6,368	-	-	6,368	-	6,368
Net proceeds of share issues from share placement	51,212	-	-	51,212	-	51,212
Share based payments	2,885	-	-	2,885	-	2,885
Employee share trust take-up	3,131	-	-	3,131	-	3,131
Shares issued in part consideration for acceptances of the off-market takeover bid for Polaris Metals NL	144,711	-	-	144,711	-	144,711
Shares issued in part consideration for acceptances of the off market takeover bid for Mesa Minerals Limited	34,437	-	-	34,437	-	34,437
Non-controlling interest in acquisition of subsidiary (Mesa Mineral Limited)	-	-	-	-	25,600	25,600
Dividends paid	-	-	(25,545)	(25,545)	—	(25,545)
Balance at 30 June 2010	315,526	5,386	139,309	460,221	25,458	485,679

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 2010

	Note	Consolidated	
		2010 \$'000	2009 \$'000
Cash flows from operating activities			
Cash receipts from customers		364,026	257,546
Cash payments to suppliers and employees		(193,295)	(185,694)
Interest received		2,404	1,507
Interest and other costs of finance paid		(5,113)	(3,323)
Income taxes paid		(17,033)	(24,108)
Net cash flows from operating activities	21(b)	150,989	45,928
Cash flows from investing activities			
Payments for property, plant and equipment		(66,005)	(49,789)
Proceeds from the sale of fixed assets		17,431	1,632
Payments for exploration and evaluation		(2,308)	-
Payments for acquisition of subsidiary, net of cash acquired		(10,343)	-
Net cash flows from investing activities		(61,225)	(48,157)
Cash flows from financing activities			
Proceeds from share issue		58,680	1,093
Share issue costs		(1,100)	
Proceeds from borrowings		14,100	45,000
Repayment of borrowings		(16,309)	(13,367)
Dividends paid		(25,545)	(25,194)
Net cash flows from financing activities		29,826	7,532
Net increase in cash and cash equivalents		119,590	5,303
Cash and cash equivalents at the beginning of the financial period		54,880	49,577
Cash and cash equivalents at the end of the financial period	21(a)	174,470	54,880

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 2010

Note 1: Significant accounting policies

This financial report of Mineral Resources Limited ('the Company') for the year ended 30 June 2010 comprise of the company and its subsidiaries (collectively referred to as 'the consolidated entity')

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

The financial report was authorised for issue in accordance with a resolution of directors dated 19 August 2010.

(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.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$000s) unless otherwise stated.

Adoption of new and revised accounting standards

In the current year, the consolidated entity 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 consolidated entity's accounting policies, except as noted below.

AASB 3 Business Combinations (revised 2008) and AASB 127 Consolidated and Separate Financial Statements (revised 2008)

AASB 3 (revised 2008) introduces significant changes in the accounting for business combinations occurring after 1 July 2009. Changes affect the valuation of non-controlling interests (previously "minority interests"), the accounting for transaction costs, the initial recognition and subsequent measurement of contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period when an acquisition occurs and future reported results.

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2010

Note 1: Significant accounting policies (Cont.)

AASB 127 (revised 2008) requires that a change in the ownership interest of a subsidiary (without a change in control) is to be accounted for as a transaction with owners in their capacity as owners. Therefore such transactions will no longer give rise to goodwill, nor will they give rise to a gain or loss in the statement of comprehensive income. Furthermore the revised Standard changes the accounting for losses incurred by a partially owned subsidiary as well as the loss of control of a subsidiary. The changes in AASB 3 (revised 2008) and AASB 127 (revised 2008) will affect future acquisitions, changes in, and loss of control of, subsidiaries and transactions with non-controlling interests. The change in accounting policy was applied prospectively and had no material impact on earnings per share.

AASB 8 Operating Segments

AASB 8 replaced AASB 114 Segment Reporting upon its effective date. AASB 8 requires the entity to identify operating segments and disclose segment information on the basis of internal reports that are provided to, and reviewed by, the chief operating decision maker of the company to allocate resources and assess performance. In the case of the company the chief operating decision maker is the management committee.

As a result of the initial adoption of AASB 8, the company's reportable segments have not changed. Operating segments represent the basis on which the company reports its segment information to the management committee on a monthly basis.

Subsequent to the initial application of AASB 8, the company acquired Polaris Metals NL (note 34) which directly conducts mining activities. This operation has been identified as a second segment as the management committee assesses the performance of this operation separately from contract mining services. Segment reporting disclosures are shown in note 2.

AASB 101 Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. The consolidated entity has elected to present one statement.

(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. A list of controlled entities is contained in Note 24 to the financial statements.

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated 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.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 1: Significant accounting policies (Cont.)

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 (ie 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 (refer to Note 1(v)) 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 remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or a liability is remeasured 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.

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

Employee Share Trust

The group has formed a trust to administer the group's employee share scheme. 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.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 1: Significant accounting policies (Cont.)

(iii) Income tax

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

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 (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

(iii) Income tax (cont.)

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 (income) 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 Group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 March 2010. The tax consolidated group has drafted a tax funding arrangement 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 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 Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 1: Significant accounting policies (Cont.)

(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 acquisitions 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.

Operating lease

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 access rights over their estimated useful lives.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 1: Significant accounting policies (Cont.)

(vi) Revenue recognition

Goods sold

Revenue from sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from bulk products exported from Australia, ownership in the goods transfers to the buyer after a clean bill of lading has been issued for the shipment, the preliminary payment is received and in accordance with any other specific terms of the contract of sale.

Services rendered

Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at balance sheet 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

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

Dividends

Revenue from distributions from controlled entities is recognised by the parent entity when they are declared by the controlled entities.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 1: Significant accounting policies (Cont.)

(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 consolidated entity's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(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 consolidated entity 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 income statement 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 consolidated entity 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 consolidated entity and the cost of the item can be measured reliably. All other costs are recognised in the income statement 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 income statement.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 1: Significant accounting policies (Cont.)

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

Change in accounting policy

At the commencement of the period, the company created an additional class of fixed plant and equipment, identified as beneficiation plants. The depreciation policy applicable to this class of asset is the units-of-production method as the economic benefit from the use of assets in this class will not occur evenly over time and instead the benefit is more closely associated with the production volume derived from usage of the asset.

(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 alternatively by its sale. 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.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 1: Significant accounting policies (Cont.)

(x) Development expenditure

Development expenditure incurred by or on behalf of the consolidated entity 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.

No depreciation is recognised in respect of development properties.

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

(xi) Mining properties

When further development expenditure is incurred in respect of a mining property after the commencement of production, such expenditure is carried forward as part of the mining property when it is probable that additional future economic benefits associated with the expenditure will flow to the consolidated entity. Otherwise such expenditure is classified as a cost of production.

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.

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

(xii) Impairment

Financial instruments

At each reporting date, the consolidated entity 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 in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Other assets

At each reporting date, the consolidated entity 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 income statement.

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 consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 1: Significant accounting policies (Cont.)

(xiii) Investments

Investments in controlled entities are carried at cost. Cost includes the purchase price of the entity as well as directly attributable costs associated with the acquisition. Directly attributable costs are capitalised only once there is written agreement to acquire the entity.

(xiv) Interests in Joint Ventures

The consolidated entity'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. Details of the consolidated entity's interests are shown at Note 35.

The consolidated entity'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 consolidated entity contributes assets to the joint venture or if the consolidated entity purchases assets from the joint venture, only the portion of the gain or loss that is not attributable to the consolidated entity's share of the joint venture shall be recognised. The consolidated entity 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 consolidated entity 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 transactions 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.

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 is 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.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 1: Significant accounting policies (Cont.)

(xv) Financial instruments (Cont.)

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.

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 consolidated entity'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 income statement unless they are designated as hedges. Assessments are made by the consolidated entity 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 income statement, 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 income statement. Amounts accumulated in the hedge reserve in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

Fair value

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

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 1: Significant accounting policies (Cont.)

(xv) Financial instruments (Cont.)

Impairment

At each reporting date, the consolidated entity 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 in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Trade and other receivables

Trade receivables and other receivables are stated at cost less impairment losses.

Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within 60 days.

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 income statement 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 income statement. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method.

Foreign currency transactions and balances

Functional and presentation currency

The functional currency of entity is measured using the currency of the primary economic environment in which it operates. The consolidated financial statements are presented in Australian dollars which is the consolidated entity's functional and presentation currency.

Transaction and balances

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 income statement, 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 income statement.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 1: Significant accounting policies (Cont.)

(xvi) Lease payments

Operating lease payments

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

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 in the financial statements 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 income statement 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 amount recognised in expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 1: Significant accounting policies (Cont.)

(xix) Provisions

Provisions are recognised when the consolidated entity 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 consolidated entity's estimated liability on all products and services under warranty at balance 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 consolidated entity's history of warranty claims.

Project closure

At the completion of some projects the consolidated entity 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.

Rehabilitation

In accordance with the consolidated entity'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 income statement 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 income statement 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 consolidated entity from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 1: Significant accounting policies (Cont.)

(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 balance sheet.

Cash flows are included in the cash flow statement 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.

(xxii) Share capital

Dividends are recognised as a liability in the period on 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) Comparatives

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

(xxiv) Rounding of amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest \$1,000.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 1: Significant accounting policies (Cont.)

(xxv) Critical accounting estimates and judgements

Provisions

Refer to note 1 (xv).

Impairment of goodwill and intangibles with indefinite useful lives

The consolidated entity 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.

Impairment of available for sale assets

The consolidated entity assesses available for sale assets for impairment annually. The fair value of shares held in listed companies is usually assessed at the last price traded on ASX on the balance date. Note 10 discloses the fair value of available for sale assets and impairment adjustments as necessary.

Useful lives of plant and equipment

The consolidated entity 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 can not be disclosed as the future estimated life of the assets involved cannot be reliably estimated.

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 consolidated entity 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.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 1: Significant accounting policies (Cont.)

(xxv) Critical accounting estimates and judgements (cont.)

Recoverability of potential deferred income tax assets

The consolidated entity recognises deferred income tax assets in respect of tax losses to the extent that the future utilisation of these losses is considered probable. Assessing the future utilisation of these losses requires the consolidated entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws. To the extent that future cash flows and taxable income differ significantly from estimates, this could result in significant changes to the deferred income tax assets recognised, which would in turn impact future financial results.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted and applying an estimated probability that they will vest. The accounting estimates and assumptions relating to share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

(xxvi) Correction of error and change in estimates

During the year, the estimated economic benefits of certain fixed assets were reviewed in respect of assumptions underlying an impairment charge recorded in the previous accounting period. The financial effect of the change in underlying estimates was a reversal of an impairment charge and an increase in the carrying value of the asset of the entity by \$2.773 million before tax. Assuming the assets are held until the end of their useful lives, depreciation in the economic entity in future years will be increased by \$277,300 per year over 10 years.

The estimate of the margin of certain long term contract works is reviewed at the end of each accounting period during which the contract work is undertaken based on managements best estimates of the ultimate outcome of the contract. During the year it was identified that the resulting profit on these projects was considerably higher than had been anticipated at the commencement of the period. The additional margin recognised in the income statement of the current financial period as a result of a review of the prior period estimates was \$5.16 million after tax. The revision of this estimate does not have an impact of future accounting periods.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 1: Significant accounting policies (Cont.)

(xxvii) New Accounting Standards issued but not yet effective

The following Australian Accounting Standards have been issued or amended and are applicable to the consolidated entity but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date. The Group does not anticipate early adoption of any of these reporting requirements and does not expect these requirements to have any material effect on the consolidated entity's financial statements.

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 2009-8	<i>Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]</i>	Amends AASB 2 <i>Share-based Payment</i> and supersedes Interpretation 8 <i>Scope of AASB 2</i> and Interpretation 11 <i>AASB 2 – Group and Treasury Share Transactions</i> . The amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction.	1 January 2010	No Changes are expected to materiality affect the Consolidated Entity.
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	No Changes are expected to materiality affect the Consolidated Entity.
AASB 124	<i>Related Party Disclosures</i>	Revised standard. The definition of a related party is simplified to clarify its intended meaning and eliminate inconsistencies from the application of the definition	1 January 2011	Disclosure only
2009-12	<i>Amendments to Australian Accounting Standards</i>	Amends AASB 8 <i>Operating Segments</i> as a result of the revised AASB 124. Amends AASB 5, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052 as a result of the annual improvement project.	1 January 2011	No Changes are expected to materiality affect the Consolidated Entity.
2010-1	<i>Amendments to Australian Accounting Standards – Limited Exemption from Comparative AASB 7 Disclosures from First-time Adopters</i>	Amends AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> ; and AASB 7 <i>Financial Instruments: Disclosures</i> . Principally give effect to extending transitional provisions of AASB 2009-2.	1 July 2010	No Changes are expected to materiality affect the Consolidated Entity.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

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 in assessing performance and in determining the allocation of resources.

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.

	Mining Services & Processing		Mining		Consolidated	
	Jun-10 \$'000	Jun-09 \$'000	Jun-10 \$'000	Jun-09 \$'000	Jun-10 \$'000	Jun-09 \$'000
Segment Revenue						
External revenue	312,643	257,439	-	-	312,643	257,439
Revenue between segments	-	-	-	-	-	-
Interest income	2,237	1,510	167	-	2,404	1,510
Interest expense	(5,113)	(3,323)	-	-	(5,113)	(3,323)
Depreciation & amortisation	(19,252)	(18,407)	(44)	-	(19,296)	(18,407)
Reportable segment profit before income tax	82,310	54,180	(651)	-	81,659	54,180
Income tax expense	(38,073)	(9,872)	53,599	-	15,526	(9,872)
Profit for the year	44,237	44,308	52,948	-	97,185	44,308
Reportable segment assets	568,887	289,767	275,929	-	844,816	289,767
Exploration assets	36,468	-	221,430	-	257,898	-
Reportable segment liabilities	300,360	145,002	58,777	-	359,137	145,002
Segment capital expenditure	68,284	49,789	-	-	68,284	49,789

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 2010

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:

	30 June 2010	30 June 2009
	\$000	\$000
Australia	235,346	192,700
China	77,297	64,739
Total revenue	<u>312,643</u>	<u>257,439</u>

iii. Assets by geographical region

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

iv. Major customers

During the year ended 30 June 2010, 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 period.

Customer	2010
	\$'000
Customer #1	53,449
Customer #2	49,397
Customer #3	34,171
Customer #4	28,091
Other	147,535
Total revenue	<u>312,643</u>

Customer	2009
	\$'000
Customer #1	38,870
Customer #2	36,880
Customer #3	30,193
Other	151,496
Total revenue	<u>257,439</u>

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2010

	Consolidated	
	2010	2009
	\$'000	\$'000
Note 3: Revenue		
Revenue from continuing operations		
Contract and operational revenue	155,324	133,924
Sale of goods and equipment	153,555	117,305
Equipment rental	3,764	6,210
	312,643	257,439
Other income		
Interest income	2,404	1,510
Administration charges	654	-
Profit on sale of fixed assets	6,008	165
Other	768	445
	9,834	2,120

	Consolidated	
	2010	2009
	\$'000	\$'000

Note 4: Profit before income tax

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

Rental expenses relating to operating leases	2,335	1,836
Provision for impairment of receivable	-	299
Provision for rehabilitation	-	2,959
Provision for project closure	-	2,119
Travel & accommodation	3,772	5,362
Bank fees and charges	1,204	629
Other	7,260	7,597
	14,571	20,801

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2010

	Consolidated	
	2010	2009
	\$'000	\$'000
Note 5: Income tax expense		
The components of tax expense comprise:		
Current tax	15,283	13,043
Deferred tax	(31,249)	(3,171)
Over provision in respect of prior years	440	-
	(15,526)	9,872
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	81,659	54,180
Prima facie tax thereon at 30%	24,498	16,254
Other non allowable items	2,123	2,935
Research and development concessions	(5,470)	(3,623)
Investment allowance	(1,365)	(5,710)
Tax consolidation recognition of temporary differences	(24,580)	-
Employee share trust	(1,196)	-
Recognition of previously unrecognised tax losses and temporary differences of prior periods	(10,076)	-
Reconciliation of prior year items	540	16
Income tax expense/revenue attributable to profit	(15,526)	9,872
 (a) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	17,326	-
Potential tax benefit at 30%	5,198	-

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 2010

	Consolidated	
	2010	2009
	\$'000	\$'000
Note 6: Cash and cash equivalents		
Cash at bank and on hand	57,598	20,212
Deposits at call	116,872	34,668
	174,470	54,880

Cash at bank and on hand is interest bearing at between 2.60% and 4.10%.

Deposits at call are interest bearing at between 1.60% and 5.50%.

The consolidated entity's exposure to interest rate risk is discussed in note 28.

	Consolidated	
	2010	2009
	\$'000	\$'000
Note 7: Trade and other receivables		
Current		
Trade and other debtors	57,616	37,763
Add		
Offset against provision for impairment	(912)	(986)
	56,778	36,777
Non current		
Amounts receivable from associated entities	10	7

The amounts receivable from wholly owned entities are unsecured and payable on demand.

In the opinion of directors the amounts receivable from associated entities is recoverable in full.

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

Opening balance	(986)	(687)
Provision reduced during the year	74	(299)
Closing balance	(912)	(986)

Impaired trade receivables

As at 30 June 2010 current trade receivables of the consolidated entity with a nominal value of \$912,000 (2009: \$986,000) were impaired. The amount of the provision is \$912,000 (2009: \$986,000) with \$74,000 received against the provision during the year. The individually impaired receivables relate to customers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is still expected to be recovered.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 7: Trade and other receivables (Cont.)

Past due but not impaired

As of 30 June 2010, trade receivables of \$18,389,000 (2009: \$1,146,000) 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:

	60 days	90 days +	Total past due
	\$'000	\$'000	\$'000
Past due trade receivables	1,609	16,780	18,389

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.

	Consolidated	
	2010	2009
	\$'000	\$'000
Note 8: Inventories		
Current		
Raw materials and stores	19,695	14,673
Amounts due from customers under construction contracts	8,273	-
Work in progress	2,411	1,647
	<u>30,379</u>	<u>16,320</u>
 <u>Construction contracts</u>		
Contract costs incurred to date	73,247	34,108
Profit recognised to date	3,625	7,210
	<u>76,872</u>	<u>41,318</u>
Less: progress billings received and receivable	(136,847)	(48,774)
Net construction work in progress	<u>(59,975)</u>	<u>(7,456)</u>
Amounts due from customers	8,273	-
Amounts due to customers (note 16)	(68,248)	(7,456)
	<u>(59,975)</u>	<u>(7,456)</u>

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2010

	Consolidated	
	2010	2009
	\$'000	\$'000
Note 9: Other assets		
Current		
Prepayments and other	776	659

	Consolidated	
	2010	2009
	\$'000	\$'000
Note 10: Exploration and evaluation expenditure		
Opening balance	-	-
Acquisition of Polaris Metals NL (Note 34)	219,826	-
Acquisition of Mesa Minerals Limited (Note 34)	36,468	-
Additions	2,307	-
Disposals	(463)	-
Write offs	(240)	-
	257,898	-

	Consolidated	
	2010	2009
	\$'000	\$'000
Note 11: Financial assets		
Available-for-sale financial assets	4,350	2,405
Held for trading financial asset	-	188
	4,350	2,593
Current portion	-	188
Non-current portion	4,350	2,405
	4,350	2,593

Available-for-sale financial assets comprise

Purchase consideration for financial asset	4,800	4,800
Less: impairment provision	(2,400)	(2,400)
	2,400	2,400
Shares in listed corporation at cost	5,525	3,580
Less: impairment provision	(3,575)	(3,575)
Shares in listed corporations at fair value	1,950	5
Total available-for-sale financial assets	4,350	2,405

Available-for-sale financial assets comprise investments in the ordinary issued capital of various entities. There are no fixed returns or fixed maturity date attached to these investments.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 11: Financial assets (Cont.)

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

The impairment provision consists of a reduction in fair value of shares in Australian listed companies which were suspended from trading on ASX in the prior year. No impairment adjustment was made in the current year (2009: \$2,550,000).

In 2009, the Company recognised an available for sale financial asset of \$4,800,000 representing the fair value of the acquisition consideration and supported by certain contractual arrangements relating to the development of manganese assets. The financial asset is stated at fair value based on computation of future cash flows attributable to the investment. In the current year, after testing for impairment the carrying value remains at \$2,400,000.

	Consolidated	
	2010	2009
	\$'000	\$'000
Held for trading financial liabilities comprise		
Net gain/(loss) recognised as a result of the fair valuation of foreign exchange contracts	(993)	188

The consolidated entity 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 Income Statement.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

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		Carry amount of investment	
				2010 %	2009 %	2010 \$000	2009 \$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	69	69
						189	189

Consolidated

2010 **2009**
\$'000 **\$'000**

Assets, Liabilities and Performance of Associates

Current assets	27	21
Non-current assets	189	116
Total assets	216	137
Current liabilities	(19)	(22)
Non-current liabilities	(733)	(660)
Total liabilities	(752)	(682)
Net assets	(536)	545
Revenues	-	-
Profit after income tax of associates	(28)	(89)

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.

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2010

Note 13: Plant and equipment

Consolidated	Plant & Equipment	Beneficiation Plant (*)	Tracked Plant & Equipment	Total
	\$'000	\$'000	\$'000	\$'000
At 1 July 2008				
Cost or fair value	130,646	25,020	4,801	160,467
Accumulated Depreciation	(38,440)	-	(1,674)	(40,114)
Net book amount	<u>92,206</u>	<u>25,020</u>	<u>3,127</u>	<u>120,353</u>
<u>Year ended 30 June 2009</u>				
Opening net book amount	92,206	25,020	3,127	120,353
Addition	24,574	31,980	-	56,554
Disposals	(1,467)	-	-	(1,467)
Depreciation charge	(17,818)	-	(589)	(18,407)
Closing net book value	<u>97,495</u>	<u>57,000</u>	<u>2,538</u>	<u>157,033</u>
At 1 July 2009				
Cost or fair value	152,673	57,000	4,801	214,474
Accumulated Depreciation	(55,178)	-	(2,263)	(57,441)
Net book amount	<u>97,495</u>	<u>57,000</u>	<u>2,538</u>	<u>157,033</u>
<u>Year ended 30 June 2010</u>				
Opening net book amount	97,495	57,000	2,538	157,033
Addition	88,425	-	-	88,425
Disposals	(11,423)	-	-	(11,423)
Depreciation charge	(19,296)	-	-(**)	(19,296)
Closing net book value	<u>155,201</u>	<u>57,000</u>	<u>2,538</u>	<u>214,739</u>
At 30 June 2010				
Cost or fair value	223,716	57,000	4,801	285,517
Accumulated Depreciation	(68,515)	-	(2,263)	(70,778)
Net book amount	<u>155,201</u>	<u>57,000</u>	<u>2,538</u>	<u>214,739</u>

Notes:

(*) As disclosed in Note 1 (viii) at the commencement of the year, the company created an additional class of fixed plant and equipment, identified as beneficiation plants. The depreciation policy applicable to this class of asset is the units-of-production method. No depreciation charge was recognised as beneficiation plant, were not in use during the year.

Subsequent to the balance date, an asset from beneficiation plants (mining services and processing segment) has been classified as held for sale, refer to Note 32 for further details, to be sold to Midwest Vanadium Pty Ltd under a contract for the company's exit from the Midwest Vanadium project. The sale is scheduled to be completed before 1 April 2011.

(**) No depreciation charge recognised as tracked plant and equipment assets not in use during the year.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 13: Plant and equipment (Cont.)

Assets in the course of construction

The carrying amounts of the assets disclosed above includes \$31,050,580 (2009: \$13,622,135) recognised in relation to property, plant and equipment in the course of construction.

Lease equipment

	2010	2009
	\$'000	\$'000
Cost	64,420	90,782
Accumulated depreciation	(16,884)	(44,254)
Net book amount	<u>47,536</u>	<u>46,528</u>

Assets with lease payments expiring under hire purchase \$5,957,000 (2009: \$5,663,000).

Note 14: Intangible assets

Consolidated	Goodwill	Patents	Port Access	Operating lease	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
2008					
Cost	10,235	-	-	-	10,235
Accumulated amortisation and impairment	-	-	-	-	-
Net book amount	<u>10,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,235</u>
Opening net book amount	10,235	-	-	-	10,235
Additions – acquisition of subsidiary	-	-	-	-	-
Amortisation charge	-	-	-	-	-
Closing balance	<u>10,235</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,235</u>
2009					
Cost	10,235	10,921	14,303	7,038	42,497
Accumulated amortisation and impairment	-	-	-	-	-
Net book amount	<u>10,235</u>	<u>10,921</u>	<u>14,303</u>	<u>7,038</u>	<u>42,497</u>
Opening net book amount	10,235	-	-	-	10,235
Additions – acquisition of subsidiary	-	10,921	14,303	7,038	32,262
Amortisation charge	-	-	-	-	-
Closing balance	<u>10,235</u>	<u>10,921</u>	<u>14,303</u>	<u>7,038</u>	<u>42,497</u>

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 14: Intangible assets (Cont.)

Impairment tests for cash generating units containing goodwill

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

PIHA Pty Ltd	8,817	8,817
Process Minerals International Pty Ltd	1,418	1,418
	<u>10,235</u>	<u>10,235</u>

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 infinite life.

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 consolidated entity.

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

Discount rate – 11% (2009: 11%)
Growth rate of cash flows – nil (2009: 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.

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2010

	Consolidated	
	2010	2009
	\$'000	\$'000
Note 15: Deferred tax assets and liabilities		
<i>Deferred tax assets</i>		
Opening balance	10,127	4,442
Charged / (credited) to income statement	46,970	5,685
Charged / (credited) to equity	4,991	-
Acquisition of subsidiary	642	-
	62,730	10,127
Deferred tax assets represented by:		
- doubtful debt provision	3,293	-
- investment impairment provision	1,072	4,732
- property, plant and equipment	1,898	-
- cost of fixed assets	-	-
- employee benefit provision	1,398	1,146
- other provision	3,603	3,995
- borrowing costs	69	-
- employee share trust	4,328	-
- tax losses – revenues	45,539	-
- unrealised foreign exchange gain	-	43
- other	1,530	211
	62,730	10,127
<i>Deferred tax liabilities</i>		
Opening balance	14,890	13,384
Charged / (credited) to income statement	17,577	2,514
Charged / (credited) to equity	(930)	(1,008)
Acquisition of subsidiary	76,490	-
	108,028	14,890
Deferred tax liabilities represented by:		
- accrued income	1,808	2,064
- prepayments	87	-
- inventory	129	-
- unrealised foreign exchange gain	157	588
- property, plant and equipment	28,506	24,336
- investments	(28)	-
- exploration expenditure	77,369	-
- other	-	70
	108,028	14,890

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

	Consolidated	
	2010	2009
	\$'000	\$'000
Note 16: Trade and other payables		
Current		
Unsecured liabilities		
Trade creditors and accruals	74,580	33,038
Amounts due to customers under construction contracts	68,248	7,456
	142,828	40,494
Non current		
Unsecured liabilities		
- trade creditors and accruals	15	13
		13

The amounts payable to wholly owned entities are unsecured, interest free and payable on demand.

	Consolidated	
	2010	2009
	\$'000	\$'000
Note 17: Borrowings		
Current		
Secured liabilities		
- bank loan	14,100	-
- finance lease liabilities	12,644	9,829
- held for trading	993	-
	27,737	9,829
Non current		
Secured liabilities		
- bank loans	45,000	45,000
- finance lease liabilities	14,525	11,692
	59,525	56,692

Details of the security held is as follows:

Bank facilities are secured by:

- Registered mortgage debentures over the whole of the assets and undertakings of each of the parent entity and its controlled entities;
- 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.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 17: Borrowings (Cont.)

Bank loans are in the form of a floating rate bill facility to be converted into an equipment loan. The floating rate bill rolls periodically and the company has the right to have it converted into an equipment loan at each rollover up until 28 February 2015.

Finance facilities

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

	Consolidated	
	2010	2009
	\$'000	\$'000
Bank overdraft		
Limit	3,600	3,600
Amount utilised	-	-
Unused facility	3,600	3,600
Finance lease liabilities		
Limit	127,000	58,886
Amount utilised	(27,170)	(20,771)
Unused facility	99,830	38,115
Bank loans		
Limit	64,100	50,000
Amount utilised	(59,100)	(45,000)
Unused facility	5,000	5,000

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 31 December 2010. 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 10.08% per annum. This rate can vary.

Finance lease facilities

Finance lease contracts are utilised to finance the acquisition of plant and equipment. The consolidated 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 loan

The consolidated entity has a special purpose loan facility to fund the construction of plant.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 18: Provisions

Consolidated	Employee Entitlements \$'000	Warranty \$'000	Project Closure \$'000	Site Rehabilitation \$'000	Total \$'000
2008					
Opening balance	3,791	-	4,058	3,500	11,349
Additional provisions	4,134	620	3,186	3,647	11,587
Amounts used	(4,106)	-	(916)	(777)	(5,799)
Closing balance	3,819	620	6,328	6,370	17,137
Current	3,819	620	-	-	4,439
Non-current	-	-	6,328	6,370	12,698
	3,819	620	6,328	6,370	17,137
2009					
Opening balance	3,819	620	6,328	6,370	17,137
Additional provisions	4,881	375	-	-	5,256
Amounts used	(3,968)	(43)	(1,713)	-	(5,724)
Closing balance	4,732	952	4,615	6,370	16,669
Current	4,732	952	-	-	5,684
Non-current	-	-	4,615	6,370	10,985
	4,732	952	4,615	6,370	16,669

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 19: Share Capital

(a) Issued and paid up capital

Issued and paid up capital of the company is 161,283,695 ordinary shares (2009: 124,182,776) at 30 June.

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

	2010 Number	2009 Number	2010 \$'000	2009 \$'000
Opening balance	124,182,776	122,882,776	72,782	64,161
Shares issued and purchased by director	500,000	500,000	-	-
Shares issued for cash under on market placements	7,750,000	-	52,312	-
Share options exercised by directors	1,500,000	400,000	1,350	360
Employee share options exercised	2,362,490	400,000	5,018	733
Shares issued for acquisition of Polaris Metals NL	19,991,482	-	144,711	-
Shares issued for acquisition of Mesa Minerals Limited	4,996,947	-	34,437	-
Issue of unlisted share options	-	-	-	4,800
Share-based payments	-	-	2,885	2,728
Employee share trust	-	-	3,131	-
Share issue costs	-	-	(1,100)	-
Closing balance	<u>161,283,695</u>	<u>124,182,776</u>	<u>315,526</u>	<u>72,782</u>

(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.

(d) Capital management

The consolidated entity manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the consolidated entity consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents and equity attributable to equity holders of the parent, 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 consolidated entity's overall capital management strategy remains unchanged from 2009.

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2010

Note 20: Reserves

Asset Revaluation Reserve

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

Movement in the asset revaluation reserve:

	Consolidated	
	2010	2009
	\$'000	\$'000
Opening balance	4,456	3,448
Deferred tax	930	1,008
Closing balance	5,386	4,456

	Consolidated	
	2010	2009
	\$'000	\$'000

Note 21: Cash flow information

(a) Reconciliation of cash

Cash at bank and on hand	174,470	54,880
Bank overdraft	-	-
	174,470	54,880

(b) Cash flows from operations

Profit after tax	97,185	44,308
Non-cash flows in profit		
Depreciation	19,296	18,407
Share based payments expense	2,884	2,727
Exploration written off	704	-
Net gain on disposal of plant and equipment	(6,008)	(165)
Impairment of available for sale financial assets	1,172	4,950
Changes in assets and liabilities:		
Trade receivables	(18,090)	(15,867)
Inventories	(14,059)	(2,067)
Other current assets	51	(143)
Financial assets	188	417
Trade payables and accruals	99,700	1,487
Provisions	(468)	6,114
Financial liabilities	993	
Current taxes payables	(665)	(11,068)
Deferred taxes assets	(49,471)	(5,685)
Deferred taxes liabilities	17,577	2,513
Cash flows from operations	150,989	45,928

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2010

Note 21: Cash flow information (Cont.)

For the purposes of the cash flow statement, cash includes cash on hand and in banks and deposits at call, net of overdrafts and investments in money market instruments with less than 90 days to maturity.

During the year, the consolidated group acquired plant and equipment with an aggregate value of \$21,957,000 (2009: \$6,763,000) 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.

	Consolidated	
	2010	2009
	\$'000	\$'000
Non cancellable operating leases contracted for but not capitalised:		
Payable:		
- not later than one year	1,744	1,251
- later than one year but not later than five years	1,426	2,906
- later than five years	-	-
	3,170	4,157
 Finance lease liabilities		
Payable:		
- not later than one year	14,184	10,708
- later than one year but not later than five years	15,804	12,098
- later than five years	-	-
Minimum finance lease payments	29,988	22,806
Less future finance charges	(2,819)	(1,285)
Total finance lease liabilities	27,169	21,521
 Reconciled to:		
- Current liabilities	12,644	9,829
- Non current liabilities	14,525	11,692
	27,169	21,521

	Consolidated	
	2010	2009
	\$'000	\$'000
Note 23: Capital commitments		
 Capital expenditure commitments contracted for:		
Plant and equipment purchases within one year	43,194	41,562

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2010

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	
			2010 %	2009 %
Parent entity:				
Mineral Resources Limited	Australia			
Controlled entities:				
Crushing Services International Pty Ltd	Australia	Large Proprietary	100%	100%
Eclipse Minerals Pty Ltd	Australia	Small Proprietary	100%	-
HiTec Energy Pty Ltd	Australia	Small Proprietary	57.4%	-
Mesa Minerals Limited	Australia	Public Listed	57.4%	-
PIHA Pty Ltd	Australia	Large Proprietary	100%	100%
Polaris Metals Pty Ltd (previously Polaris Metals NL)	Australia	Small Proprietary	100%	-
Process Minerals International Pty Ltd	Australia	Large Proprietary	100%	100%

(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 of the consolidated entity 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

Executive directors:

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

Executives:

- Mr B Gavranich (General Manager, PIHA)
- Mr S Wyatt (General Manager, CSI)
- Mr D Geraghty (General Manager, PMI)
- Mr B Goulds (Chief Financial Officer)

Remuneration of key management personnel

Details of the nature and amount of each major element of annual compensation of each director and of each of the key management personnel of the company and consolidated entity as set out in the Directors' Report.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 25: Key management personnel disclosures (Cont.)

Loans to key management personnel and their related parties

A loan was made to a director (Mark Dutton) for the purpose of acquiring 500,000 shares in the company. Details of the loan are disclosed in Note 26.

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.

Key personnel option holdings

	Opening Balance	Granted	Exercised	Closing Balance	Vested	Unvested
J Ricciardo	1,500,000	-	1,500,000	-	-	-
D Geraghty	600,000	-	-	600,000	600,000	-
B Goulds	500,000	-	500,000	-	-	-

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	6,116,162	-	-	(1,700,000)	4,416,162
J Ricciardo	555,750	1,500,000	-	-	2,055,750
C Ellison	43,804,065	-	-	(8,000,000)	35,804,065
M Dutton	-	-	500,000	-	500,000
S Wyatt	13,757,344	-	-	(2,000,000)	11,757,344
B Gavranich	11,132,768	-	-	(1,528,173)	9,604,595
D Geraghty	1,267,487	-	-	-	1,267,487
B Goulds	250,000	500,000	-	(250,000)	500,000

Mineral Resources Limited

Notes to the financial statements

for the year ended 30 June 2010

Note 26: Share based payments

The following share based payment arrangements existed at 30 June 2010.

David Geraghty's and other employee options

As part of David Geraghty's engagement as Technical Director of Process Minerals, he will be 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 will be issued in 3 equal tranches on 15 January 2008, 15 January 2009 and 15 January 2010, unless he ceases to be an employee of the consolidated group during that period of time in which case he is not entitled to the securities which have not already been issued.

Senior staff members have been granted up to 4,875,000 share options as part of their remuneration package. Options are exercisable at an average price of \$2.03 and an expiry date of 3 years after the date of issue. The securities will be issued in tranches between 15 January 2008 and 1 September 2012, unless the staff member ceases to be an employee of the consolidated group during that period of time in which case they are not entitled to the securities which have not already been issued.

Mark Dutton's Share Loan

On 14 December 2009, the Company provided Mark Dutton (a director), with an interest free loan of \$3,345,000 to purchase 500,000 fully paid ordinary shares in the Company based on the Volume Weighted Average Price per share for the 5 trading days prior to issue of the shares (\$6.69). The shares were issued under the MRL Senior Employee Share Purchase Plan and Loan Scheme. Provision of the loan and Mark's participation in the Senior Employee Share Purchase Plan and Loan Scheme, was approved by shareholders at the annual general meeting on 19 November 2009.

The Loan is for a fixed term of three years from the date of issue of the shares. Mark may choose to repay the loan in the following ways:

- pay the Company the balance owing at the end of the three year term, or
- hand back the shares to the Company in full satisfaction of the balance owing at the end of the three year term,

unless a Termination Event occurs, in which case the loan will be repayable in accordance with the Termination Event, or if Mark sells some or all of the shares prior to the end of the term he is required to pay the Company that part of the loan attributable to the shares sold within 21 days of the sale.

Termination Events

- Should Mr Dutton resign as a director of the Company, the balance owing is payable in full within 3 months of termination or he may hand back any shares he holds in full satisfaction of the balance;
- Should the board of the Company terminate Mr Dutton's contract of service for misconduct or breach of his director's duties, the balance owing is payable in full within 3 months of the termination date or he may hand back any shares he holds in full satisfaction of the balance owing;
- Should the shareholders of the Company vote to remove Mr Dutton from the office of director of the Company or his contract of service is terminated by some other means not relating to any misconduct or breach of his director's duties, the balance owing is payable at the expiration of the three year term of the loan or within 12 months of his termination date whichever date is the earlier or he may hand back any shares he holds in full satisfaction of the balance owing.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 26: Share based payments (Cont.)

In addition, Mr Dutton will receive the following Fixed Payments associated with the share purchase arrangement:

- \$100,000 on signing the loan documents,
- \$100,000 on the first anniversary of the shareholder approval,
- \$100,000 on the second anniversary of the shareholder approval, and
- \$150,000 on the third anniversary of the shareholder approval,

on the following conditions:

- At the relevant payment times above has not have resigned as a director of the Company or has given notice of his resignation nor will he have been removed from office and he will have served as a director for at least 10 of the 12 months prior to the payment time,
- In the event the Loan is repaid he will receive the balance of Fixed Payments within 21 days of the loan being repaid in full,
- In the event he chooses to hand back the the company's shares in full satisfaction of the loan, no further fixed payments will be made.
- The Company will pay any fringe benefits tax payable in respect of the Loan.
- The Company may release an appropriate number of Shares from any mortgage that it has taken in respect of the Shares, having regard to any reduction in the balance of the loan or any increase in the value of the Shares.

During the period no shares have been sold and no repayments made in respect of the loan.

Options

Options on issue at balance date	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	5,771,890	1.5860
Granted	300,000	4.0800
Forfeited	-	-
Exercised	(3,424,990)	1.3300
Expired	-	-
Outstanding at year-end	2,646,900	1.9550
Exercisable at year-end	2,346,900	1.9550

300,000 options were granted during the year to employees.

The fair value of the options granted during the year was calculated by using a Black-Scholes option pricing model applying the following inputs:

- options are granted for no consideration and vest based on achievement of employment criteria set out in the option agreement;
- average exercise price: \$4.08;
- grant date: 16 April 2009;
- expiry date: 1 September 2013 to 1 September 2015;
- share price at grant date: \$2.74;
- expected price volatility of the company's shares: 81.95%; and
- risk free rate: 3%

Volatility is based on the actual movements in the Company's share price for the six months prior to the option grant date.

The life of the options is based on an estimate of exercise patterns, which may not eventuate in the future.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 26: Share based payments (cont)

Shares

500,000 shares were issued during the year to Mark Dutton (a director) under the MRL Senior Employee Share Purchase Plan and Loan Scheme.

The fair value of the shares issued was calculated by using a Black-Scholes option pricing model applying the following inputs:

- number of shares acquired: 500,000;
- shares purchased subject to the plan are based on the Volume Weighted Average Price per share for the 5 trading days prior to issue of the shares (\$6.69);
- relevant period of the loan to purchase shares: 3 years;
- acquisition date: 14 December 2009;
- expected price volatility of the company's shares: 38.2%;
- risk free rate: 3.75%; and
- fair value recognised as remuneration during the year: \$1,009,824.

Volatility is based on the actual movements in the Company's share price for the six months prior to the share purchase date.

Amount of company loan outstanding at reporting date: \$3,345,000. The loan has not been recognised as the Company only has recourse to the value of the shares.

Share based payment expense

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

	Consolidated	
	2010	2009
	\$	\$
Options issued under employee option plan	1,874,575	2,727,000
Shares issued under employee share scheme	1,009,824	-
	2,884,399	2,727,000

Note 27: Auditor's remuneration

Remuneration of the auditors of the parent entity:

	Consolidated	
	2010	2009
	\$	\$
Auditing or reviewing the financial report	227,500	215,000
Taxation services	139,694	47,070
	367,194	262,070

Note 28: Financial instruments

Financial risk management policies

The consolidated entity'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 2010

The main purpose of non-derivative financial instruments is to raise finance for group operations. Derivatives are used by the consolidated group for hedging purposes. Such instruments consist of forward exchange contracts. The consolidated entity 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 consolidated 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 2010, the Group had unutilised standby credit facilities totalling \$108,430,000 (2009: \$46,715,000).

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period from the balance sheet 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 balance sheet.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 28: Financial instruments (Cont.)

	30 June 2010					30 June 2009				
	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
Trade and other payables	142,828	-	-	-	142,828	40,494	-	-	-	40,494
Finance lease liabilities	7,092	7,092	15,804	-	29,998	5,354	5,354	12,098	-	22,806
Secured loans	-	14,100	-	45,000	59,100	-	-	45,000	-	45,000

Credit risk exposures

Credit exposure represents the extent of credit related losses to which the consolidated entity may be subject on amounts to be received from financial assets. The consolidated entity, 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 consolidated entity's exposures to on-balance sheet credit risk are as indicated by the carrying amounts of its financial assets. The consolidated entity does not have a significant exposure to any individual counterparty.

Foreign currency risk

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

The consolidated entity 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 consolidated entity against unfavourable exchange rate movements for both the contracted and anticipated future sales undertaken in foreign currencies.

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

Sell United States Dollars Settlement

	Buy Australian Dollars		Exchange Rate	
	2010 \$'000	2009 \$'000	2010	2009
Sell USD \$3,500,000	-	4,457	-	0.7852
Sell USD \$1,000,000	-	1,276	-	0.7836
Sell USD \$7,000,000	8,079	-	0.8664	-
Sell USD \$10,000,000	11,573	-	0.8641	-
Sell USD \$4,000,000	4,602	-	0.8691	-
Sell USD \$5,000,000	6,087	-	0.8214	-
Sell USD \$9,000,000	10,254	-	0.8777	-
Sell USD \$8,000,000	8,863	-	0.9026	-

Contracts above relate to the August 2010 to October 2010 period (2009: July 2009).

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 28: Financial instruments (Cont.)

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 plants constructions that are drawn down using flexible rate equipment loans that are converted to fixed rate instruments on completion of the project.

The consolidated entity is exposed to interest rate risk as follows:

Consolidated 2010	Effective Interest Rate	Total	Floating Interest Rate	1 year or less	Over 1 year to 5 years
Cash and cash equivalents	4.55%	174,470	174,470	-	-
Interest bearing liabilities – current*	6.02%	26,744	-	26,744	-
Interest bearing liabilities – non current*	5.24%	59,525	-	-	59,525

Consolidated 2009	Effective Interest Rate	Total	Floating Interest Rate	1 year or less	Over 1 year to 5 years
Cash and cash equivalents	3.00%	54,880	54,880	-	-
Interest bearing liabilities – current*	7.48%	9,828	-	9,828	-
Interest bearing liabilities – non current*	4.43%	56,692	-	-	56,692

* These assets / liabilities bear interest at a fixed rate

Fair Values

2010	Consolidated	
	Carrying amount \$'000	Fair value \$'000
Trade and other receivables	56,788	56,788
Cash and cash equivalents	174,470	174,470
Interest bearing liabilities - current	26,744	26,744
Interest bearing liabilities – non current	59,525	59,525
Trade and other payables	142,828	142,828

2009	Consolidated	
	Carrying amount \$'000	Fair value \$'000
Trade and other receivables	36,784	36,784
Cash and cash equivalents	54,880	54,880
Interest bearing liabilities - current	9,829	9,829
Interest bearing liabilities – non current	56,692	56,692
Trade and other payables	40,507	40,507

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 28: Financial instruments (Cont.)

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 change in interest rates.

(ii) *Trade and other receivables / payables*

All trade and other receivables and payables are current and therefore carrying amount equals fair value.

Sensitivity

Interest rate risk

The consolidated entity has considered the sensitivity relating to its exposure to interest rate risk at balance 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 consolidated entity has considered the sensitivity relating to its exposure to foreign currency risk at balance 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 + / - 5% strengthening / weakening of the AUD against the USD on the consolidated entities post tax profit for the year and equity. The analysis is based on a 5% strengthening / weakening of the AUD against the USD at balance date with all other factors remaining equal. The impact of the analysis on 2010 results is considered to be immaterial and has not been disclosed.

	Post tax profit 2010 \$'000s	Equity 2010 \$'000s
AUD/USD + 5%	(614)	(614)
AUD/USD - 5%	614	614

Price risk

The consolidated entity 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 enough to disclose.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

	Consolidated	
	2010	2009
	\$'000	\$'000
Note 29: Dividends paid or recommended		
Dividends Paid		
Final ordinary dividend for 2008/09 of 12.35 cents per share franked at a tax rate of 30% paid on 19 November 2009	15,561	16,507
Interim ordinary dividend for 2009/10 of 6.4 cents per share franked at a tax rate of 30% paid on 6 April 2009	9,984	8,687
	25,545	25,194
Dividends Proposed		
Proposed final ordinary dividend for 2009/10 of 13.60 cents per share franked at a tax rate of 30% and to be paid on 18 November 2010	22,692	15,337
Franking Credits		
Franking credits available for subsequent financial years based on a tax rate of 30%	20,387	14,333
Balance of franking account at year end adjusted for franking credits arising from:		
- payment for income tax	21,987	14,333

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 30: Earnings per share

	Consolidated	
	2010	2009
	\$'000	\$'000
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	97,185	44,308
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	141,982,976	123,797,502
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	145,315,054	126,136,832
Basic earnings per share (cents per share)	68.5	35.8
Diluted earnings per share (cents per share)	66.9	35.1

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

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 arms 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.

2010

	Balance receivable by \$'000s	Balance payable by \$'000s	Sales to group companies \$'000s	Purchases from group companies \$'000s
Mineral Resources Ltd	9,996	351	4,871	795
PIHA Pty Ltd	1,556	3,085	1,095	911
Crushing Services International Pty Ltd	7,903	6,055	4,870	794
Process Minerals International Pty Ltd	442	18,980	214	4,823
Polaris Metals Pty Ltd (previously Polaris Metals NL)	8,573	-	-	-
Eclipse Minerals Pty Ltd	-	-	-	-
Mesa Minerals Limited	-	-	-	-
HiTec Energy Pty Ltd	-	-	-	-

2009

	Balance receivable by \$'000s	Balance payable by \$'000s	Sales to group companies \$'000s	Purchases from group companies \$'000s
Mineral Resources Ltd	127	57,165	1,004	-
PIHA Pty Ltd	7,207	4,897	2,311	755
Crushing Services International Pty Ltd	70,170	7,117	2,617	1,993
Process Minerals International Pty Ltd	19,278	27,603	127	3,311

Transactions between related and associated parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated. All services provided by related and associated parties are at arms length transactions.

Properties from which the company's operations are performed are rented from parties related to Chris Ellison and Peter Wade. The rent paid during the year was \$1,709,000 (2008: \$1,590,000).

Certain engineering services were provided by GR Engineering Services Pty Ltd, a company related to Joe Ricciardo. Services were provided on an arms length basis to the value of \$943,029.

Certain crushing and engineering services were provided by Talison Pty Ltd, a company related to Kelvin Flynn. Services were provided on an arms length basis to the value of \$1,943,873 by Mineral Resources for those services provided.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

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

Related party balances

	Associated Director	Balance at 30 June 2010 \$'000	Balance at 30 June 2009 \$'000
Receivable by the consolidated entity			
Wellard Properties Pty Ltd	P Wade, C Ellison	8	4
Crushing Services International Unit Trust	P Wade, C Ellison	-	-
Sandini Pty Ltd	C Ellison	2	2
Payable by the consolidated entity			
Sandini Pty Ltd	C Ellison	15	13

Note 32: Events after the balance sheet date

On the 5 August 2010 as announced to the ASX, Hancock Manganese Pty Ltd exercised 5,000,000 unlisted share options with an exercise price of \$6.05. Hancock Manganese Pty Ltd's remaining holding is 10,000,000 unlisted share options exercisable at \$6.05 and expiring on 6 August 2011.

On the 5 August 2010 as announced to the ASX, Mineral Resources Limited agreed to vary the original agreement between Atlantic Ltd and the Receivers of Midwest Vanadium Pty Ltd in respect of the acquisition of the Windimurra vanadium project. Under the revised agreement (which is subject to the approval of the existing lenders and full documentation of the transaction):

- Mineral Resources Limited will sell its 27.5% shareholding in the project to Atlantic;
- Mineral Resources Limited will be paid all outstanding debts;
- Mineral Resources Limited will sell its BOOT plant to Midwest Vanadium Pty Ltd before 1 April 2011.

No other matters or circumstances have arisen since the end of the financial year which significantly affect the operations of the consolidated entity.

Note 33: Contingent liabilities

The consolidated entity 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.

	Consolidated	
	2010	2009
	\$'000	\$'000
Bank guarantees facility	5,849	5,320
Amount utilised	(3,916)	(3,364)
Unused guarantee limit	<u>1,933</u>	<u>1,956</u>

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 34: Business Combinations

the company was involved in two business combinations, acquiring Polaris Metals NL (100%) and Mesa Minerals Limited (57.4%) in the year ending June 2010.

Polaris Metals NL

On 20 August 2009 Mineral Resources Limited announced its intention to make an off-market takeover bid to acquire all of the issued shares and unlisted share options in Polaris Metals NL. Mineral Resources Bidder's Statement was lodged with the ASIC and served on Polaris on 17 September 2009. Under the terms of the Bidder's Statement, Mineral Resources offered:

- one Mineral Resources Share for every 12.5 Polaris Shares held by Polaris Shareholders; and
- one comparable Mineral Resources Option for every 12.5 Polaris Options held by Polaris Option holders.

The offer was subsequently improved over the course of the bid period and the offer was declared final based on consideration of:

- one Mineral Resources Limited share for every 10 Polaris Shares plus 10.1 cents for every one Polaris share held by Polaris Shareholders; and
- one comparable Mineral Resources Limited unlisted option for every 10 Polaris Options held by Polaris Option holders.

On 14 December 2009, Mineral Resources acquired control over Polaris Metals NL by acquiring an interest in more than 50.1% Polaris' issued shares.

On 25 January 2010 Mineral Resources Limited announced its takeover offer closed after acquiring an interest of 97.94% in Polaris shares and the remaining Polaris shares were compulsory acquired in accordance with the Corporations Act 2001.

Details of purchase consideration and net assets acquired are as follows:

	\$'000
Purchase consideration as at 30 June 2010	
Cash paid	20,191
Mineral Resources shares issued	139,940
Fair value of option offer consideration	4,771
Total purchase consideration	164,902

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

	Fair value \$'000
Cash and cash equivalents	7,094
Trade and other receivables	498
Financial assets – available for sale	3,115
Other assets	134
Property, plant and equipment	392
Exploration and evaluation assets	219,826
Trade and other payables	(606)
Deferred tax liabilities	(65,551)
Net identifiable assets acquired	164,902

The acquisition of Polaris Metals NL occurred on 14 December 2009. In accordance with AASB 3 Business Combinations, the initial accounting determined above is provisional. The provisional accounting for this

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 34 Business Combinations (Cont.)

acquisition may be adjusted in the next reporting period in the event that the finalisation of fair value procedures produces fair values which are different to those provisionally determined.

There is no goodwill attributed to the acquisition.

Acquisition related costs

Acquisition related costs of \$0.7 million are included in other expenses in the statement of comprehensive income.

Equity instruments issued

Mineral Resources Limited issued 19,991,482 ordinary shares in Mineral Resources Limited in part consideration for acceptances of the share offer. The fair value of ordinary shares issued has been determined with reference to the price quoted on the Australian Stock Exchange at the date of acquisition.

Mineral Resources Limited issued 1,572,500 unlisted options over ordinary shares of Mineral Resources Limited. The fair value of options issued has been determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at issue date and expected price volatility of the underlying share, and the risk free interest rate for the term of the option.

Acquired receivables

The fair value of acquired trade receivables is \$0.498 million. The gross contractual amount for trade receivables due is \$0.498 million, all of which expected to be collectible.

Purchase consideration – cash outflow	\$'000
Outflow of cash of acquire subsidiary , net of cash acquired	
Cash consideration	20,191
Less: Balances acquired	
Cash	(7,094)
Outflow of cash – investing activities	<u>13,097</u>

Mesa Minerals Limited

On 22 March 2010, Mineral Resources Limited announced its intention to make an off-market takeover bid to acquire all of the issued shares Mesa Minerals Limited. Mineral Resources Bidder's Statement was lodged with the ASIC and served on Mesa on 6 April 2010. Under the terms of the Bidder's Statement, Mineral Resources Limited offered one Mineral Resources Limited share for every 70.6 Mesa shares held by Mesa shareholders.

On 2 June 2010 Mineral Resources Limited acquired control over Mesa Minerals Limited by acquiring an interest in more than 50.1% of Mesa's issued shares.

On 30 June 2010 Mineral Resources had acquired an interest in 57.4% of Mesa shares

Details of purchase consideration and net assets acquired are as follows:

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 34 Business Combinations (Cont.)

Purchase consideration as at 30 June 2010	
Mineral Resources shares issued	34,437
Total purchase consideration	<u>34,437</u>

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

	Fair Value \$'000	Tax Liability \$'000	Net Fair Value \$'000
Cash	2,754	-	2,754
Trade and other receivables	1,416	-	1,416
Financial assets – available for sale	1	-	1
Property, plant and equipment	71	-	71
Other current assets	34	-	34
Exploration and evaluation assets	36,468	(10,940)	25,528
Intangible assets – Patents	10,921	-	10,921
Intangible assets – Port access rights	14,303	-	14,303
Intangible assets – Operating lease	7,038	-	7,038
Trade and other payables	(2,030)	-	(2,030)
Deferred tax liabilities	(10,940)	10,940	-
Net identifiable assets acquired	<u>60,036</u>	-	<u>60,036</u>
Less: Non-controlling interest	(25,599)	-	(25,599)
Net identifiable assets acquired	<u>34,437</u>	-	<u>34,437</u>

The acquisition of Mesa Minerals Limited occurred on 2 June 2010. In accordance with AASB 3 Business Combinations, the initial accounting determined above is provisional. The provisional accounting for this acquisition may be adjusted in the next reporting period in the event that the finalisation of fair value procedures produces fair values which are different to those provisionally determined.

There is no goodwill attributed to the acquisition.

Acquisition related costs

Acquisition related costs of \$0.2 million are included in other expenses in the statement of comprehensive income.

Equity instruments issued

Mineral Resources Limited has issued 4,996,947 ordinary shares in Mineral Resources Limited during the year in part consideration for acceptances of the share offer. The fair value of ordinary shares issued has been determined with reference to the price quoted on the Australian Stock Exchange at the date of acquisition.

Mineral Resources Limited
Notes to the financial statements
for the year ended 30 June 2010

Note 34 Business Combinations (Cont.)

Acquired receivables

The fair value of acquired trade receivables is \$1.417 million. The gross contractual amount for trade receivables due is \$1.417 million, all of which are expected to be collectible.

Non-controlling interests

In accordance with the consolidated entity's accounting policies, the consolidated entity elected to recognise the non-controlling interests in Polaris Metals NL at its proportionate share of the acquired net identifiable assets.

Purchase consideration – cash outflow	\$'000
Outflow of cash of acquire subsidiary , net of cash acquired	
Cash consideration	-
Less: Balances acquired	
Cash	<u>2,754</u>
Inflow of cash – investing activities	<u>2,754</u>

Actual net fair value of Mesa assets excluding any tax benefits from the business combination are shown in comparison below:

Note 34 Parent Entity Information

	2010	Consolidated
	\$'000	2009
		\$'000
Information for Mineral Resources Limited		
Current assets	129,065	44,406
Total assets	452,159	160,473
Current liabilities	27,771	5,090
Total liabilities	84,848	50,090
Issued capital	315,526	72,782
Accumulated gains	51,785	37,601
Total shareholders equity	<u>367,311</u>	<u>110,383</u>
Net profit after tax of the parent entity	39,729	62,422
Total comprehensive income of the parent	<u>39,729</u>	<u>62,422</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 2010

Note 35 Joint controlled assets

On 28 April 2008, Mesa Minerals Limited (Mesa), a subsidiary of Mineral Resources Limited, entered into a Farm-in & Joint Venture Agreement with Auvex Resources Limited, formerly Auvex Metals Limited, (“Auvex”) to mine and ship manganese product. Under the arrangements, Auvex was required to expend \$7,250,000 on exploration and evaluation to enable Mesa and Auvex to make a joint Decision to Mine manganese at Mesa’s Ant Hill and Sunday Hill Mining Leases. Pursuant to a variation to work programme set out in the Farm-in & Joint Venture Agreement, Auvex conducted a trial mining programme at the Ant Hill Mining Lease and produced approximately 45,000 tonnes of manganese for and on behalf of the participants.

On 30 June 2009, Mesa and Auvex agreed that Auvex had earned its interest in the tenements and accordingly, Mesa assigned to Auvex an undivided 50% interest in the Ant Hill Mining Lease 46/238 and the Sunday Hill Mining Lease 46/237.

The consolidated entity accounts for its interest in the Joint Venture under a contractual arrangement which does not give rise to a jointly controlled entity. Under the contractual arrangements, the consolidated entity derives benefits of operation from the jointly owned assets, rather than from an interest in a jointly controlled entity. Mesa’s share of net assets of the jointly controlled assets and operations as at the end of financial period 30 June 2010 are:

	Consolidated	
	2010	2009
	\$’000	\$’000
Property plant and equipment	55	-
Amount utilised	488	-
	<u>543</u>	<u>-</u>

During the farm-in period, Auvex expended \$859,676 on fixed assets. Whilst Mesa did not contribute to the acquisition of these fixed assets; it is entitled to the benefits arising from their utilisation as well as 50% of proceeds from their sale.

On 26 November 2009, Mesa advised Auvex that it considered that Auvex had entered into an arrangement with its creditors and therefore breached the conditions of the Joint Venture.

Mineral Resources Limited

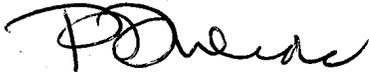
Directors Declaration

for the year ended 30 June 2010

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 2010 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards, including the Interpretations and the Corporations Regulations 2001; and
 - (b) the financial statements and notes also comply with International Reporting Standards as disclosed in Note 1; and
 - (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 2010.

Signed in accordance with a resolution of the directors made pursuant to s.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 19th day of August 2010

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8 St Georges Terrace Perth WA 6000
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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MINERAL RESOURCES LIMITED

We have audited the accompanying financial report of Mineral Resources Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies 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 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.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's 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 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1

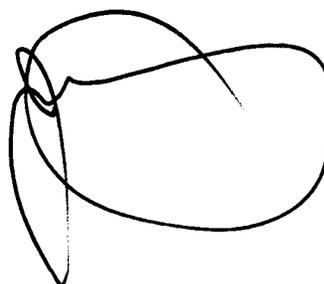
Report on the Remuneration Report

We have audited the Remuneration Report is included within the directors' report for the financial year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of Mineral Resources Limited for the financial year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants



Perth, WA
Dated: 19 August 2010

J A KOMNINOS
Partner