



Mineral Resources Limited

ABN 33 118 549 910



Annual Report 2006

Corporate Directory

Directors

Michael Kiernan
Peter Wade
Chris Ellison
Joe Ricciardo

Company Secretary

Bruce Goulds

Registered Office

25 Wellard Street
BIBRA LAKE WA 6163

Telephone: +61 8 9434 4922
Facsimile: +61 8 9434 4955

Website

www.mineralresources.com.au

Auditors

RSM Bird Cameron Partners
8 St Georges Terrace
PERTH WA 6000

Share Registry

Computershare Investor Services Pty Limited
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000

Telephone: +61 8 9323 2000
Facsimile: +61 8 9322 2033

Bankers

National Asutrialia Bank Limited
50 St George's Terrace
PERTH WA 6000

Corporate Calendar

Final dividend and special dividend:-

- Ex dividend date	13 October 2006
- Record date	13 October 2006
- Payment date	15 November 2006

Annual General Meeting

	9 November 2006
- To be held at	Celtic Club of Western Australia 48 Ord Street, West Perth



Contents

Chairman's Message	2
Managing Director's Report	4
Review of Operations	5
Directors' Report	13
Auditor's Independence Declaration	17
Corporate Governance Statement	18
Income Statement	20
Balance Sheet as at 30 June 2006	21
Statement of Changes in Equity	22
Cash Flow Statement	23
Notes to the Financial Statements	24
Directors' Declaration	48
Independent Audit Report	49



Chairman's Message

On behalf of the Board of Mineral Resources Limited (Company) (ASX:MIN) I am pleased to present the inaugural Annual Report to the shareholders for the 2006 year.

Mineral Resources Limited was incorporated on 27 February 2006 and on 26 June 2006, acquired the entire share capital of PIHA Pty Ltd, Crushing Services International Pty Ltd and Process Minerals International Pty Ltd to establish an integrated provider of services and goods. The Company operates within the resources sector primarily within Australia but with an expanded outlook for overseas opportunities.

The Company was admitted to the official list of the Australian Stock Exchange Limited on 28 July 2006. In the prospectus lodged with ASX, the Company presented an aggregated full year forecast of its 2005/2006 earnings incorporating each company in the group. The published financial statements of the Company will not reflect the true performance of the group for 2005/06 because Mineral Resources Limited officially only traded for the four (4) days from 26 June 2006.

Accordingly, the Directors have determined to comment on the aggregated results of the group companies compared with the prospectus for the guidance of the market and investors, but within the context of the formal Mineral Services Annual Report.

On that basis, for the year ended 30 June 2006, the Mineral Resources group achieved aggregated net profit after tax of \$10,327,048 as part of the following full year trading report:

In accordance with the prospectus, the Directors of Mineral Resources have declared a fully franked initial interim dividend for the 2006/2007 year of 1.2 cents per share, payable on 15 November 2006 for all shareholders of record at 13 October 2006. The initial interim dividend is in addition to the nominated prospectus dividend policy of distributing a minimum of 50% of the net after tax profit for the 2006/07 year.

Mineral Resources reports its business results as an integrated provider of services and goods within the resources segment of the Australian economy and the aggregated results represent the integrated outcome of the business.

The increased revenue reflected the commencement of several new projects in the last quarter of the year which were established ahead of our prospectus forecasts and will continue to add value to the Company in the 2006/2007 year.

All of the forecasts in the prospectus for contracts to be successfully awarded or rolled over in 2006 have been achieved and the projected margins retained. Of particular note, the new five (5) year contract crushing operation at one of the large iron ore mines in the Pilbara region of Western Australia was successfully brought into operation in April 2006 and the monthly tonnages are in excess of the original contract requirements.

	Actual Aggregated FY2006 Result	Pro Forma Forecast FY 2006 Result Per Prospectus lodged 26 June 2006	% Change
Revenue from ordinary operations	105,922,981	97,585,240	8.5%
Net profit after tax	10,327,048	8,552,489	21%
Earnings per share	9.8 cents	8.1 cents	21%



Chairman's Message (continued)

The outlook in the Mineral Resources business segment is very positive with the resources markets in iron ore and base metals expected to continue strongly as a result of demand from China and the other developing Asian and sub continent economies.

The strength of the resource sector translates into mine development (both brownfield and greenfield) for existing clients which present new contract opportunities for the Company. These opportunities are supplemented by a significant push by the junior miners to bring their operations on-stream to access the current price strength in commodities.

Mineral Resources is also targeting a detailed expansion of its business activities in the Philippines in the 2006/2007 year with additional project opportunities identified.

These results, and the projected outlook for the local and world resource markets, place the Company in an excellent position for further consolidation and continued growth in 2006/2007.

I would like to conclude by recognizing the commitment, enormous effort and focused achievement of goals that has characterised the innovation and growth of the Company over the year. This is a credit to the Mineral Resources management team and staff at all levels within the Company. That team is a dedicated and high calibre partnership with the Board that will be instrumental in the Company's future success.

These are outstanding results and establish the Company as a strong force in the provision of services to the resource sector. The Board and Management commit to working diligently to maintain the performance of the Company and the results for 2006/2007 at this outstanding level for the benefit of all stakeholders and to add real value for shareholders.



Michael Kiernan
Chairman

27 September 2006



Managing Director's Report

Mineral Resources is an integrated provider of services and goods to the resource sector focused on mining services, minerals processing and general contracting operations that add value to clients and shareholders.

Mineral Resources Limited is the holding company of the Group. The Group has three operating subsidiaries: Crushing Services International and PIHA, both of which provide contracting services to the resources industry, and Process Minerals International which is a minerals processor and marketer of industrial minerals.

The Group operates throughout Australia and as well as direct export sales has undertaken extensive contract work overseas over the past decade. There are specific synergies within the Group which enable the resources, expertise and market positioning of each operating company to be available to the other companies in the Group and for the operations and management to be fully integrated.

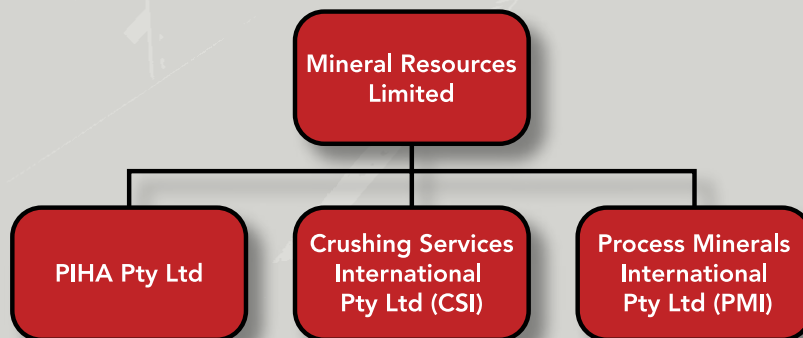
The Company has a strong contract base and reputation across all subsidiary companies with its core businesses delivering the highest quality services in the specialist fields of civil contracting, pipe laying and HDPE fabrication, contract crushing, mine services and mineral processing.

Mineral Resources has a clear vision to continue to maintain growth and profitability and to maximize returns to shareholders through capital growth and dividends by:

- leveraging the business opportunities off the strong reputation and value adding innovation of the three subsidiaries.
- attracting and retaining high quality and experienced management and site personnel to supplement the existing strength of the organisation.
- Growing the existing operations by maximizing plant output on existing sites, extending contract durations and winning new contracts with existing blue chip clients.
- pursuing acquisitions and new business opportunities where value accretive, and
- expanding the geographical and commodity spread for processing and mining services operations throughout Australia and overseas.

Mineral Resources listed on the ASX on July 28, 2006. In its public offering, the Company issued 25,000,000 ordinary shares at a value of \$0.90 each. The prospectus issued on 5 July, 2006 outlines the conditions of the offer and provides significant, detailed information on the company history and of the subsidiaries.

The Company's business strategy is to pursue profitable growth through all of the subsidiary companies by organic growth with existing contracts and clients as well as expanded commodity and geographical business spread.



Review of Operations

Pipelines and Pipelining Services



PIHA has achieved substantial growth through its pipe-lining system for carbon steel pipelines, which services both the rehabilitation of existing pipelines and as an additional protection against corrosion and erosion in new installations – bringing potentially significant economic benefits and cost savings to a range of industry sectors, particularly the mining and infrastructure sectors.

The pipe-liner system operates using a polyethylene liner pipe with an outside diameter larger than the inside diameter of the steel pipe it has been designed to protect. The liner pipe is pulled through a hydraulically-driven Roller Reduction Box. The liner pipe is compressed radially as it passes through the box allowing sufficient clearance for insertion into the steel pipe. The liner is under carefully controlled tension until it is released and the liner pipe expands to create a tight fit against the internal wall of the steel pipe.

The polyethylene liner prohibits interior corrosion by closing off the flow stream from the steel pipe wall. This application is excellent for lines holding corrosive and abrasive products, such as water, crude oil, slurry, wet gas, and effluent.

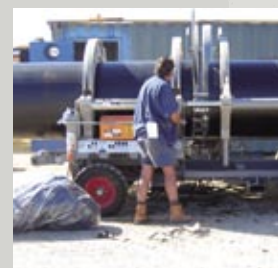
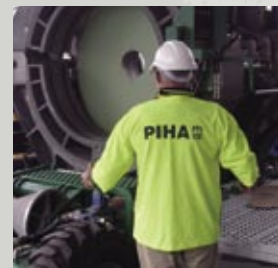
This tight fit technology fits the liner directly in firm radial contact with the inside of the steel pipe, thus shifting the internal pressure to the steel host pipe.

The pipelining operation meets industry needs for quality, performance and cost effectiveness and facilitates minimized downtime for pipeline repairs and replacement in comparison with more traditional pipe replacement methods.

The economics of the PIHA pipelining technology are being increasingly recognised and under normal pipeline conditions:

- The PIHA liner can be installed in an existing steel pipeline for approximately 55% of the cost of replacing the line with new internally bare welded line.
- The liner can be installed in an existing steel pipeline for approximately 40% of the cost of replacing the line with a new internally coated line.
- The liner system as part of a new pipeline is only 15% more than the cost of constructing a new internally coated line.

PIHA has developed and refined the technology for this tight fit lining process within Australia and the East Asian region to become the only contractor undertaking that technique in this region.



Review of Operations (continued)

Within Australia, PIHA has undertaken five pipe lining contracts over the 2006 year incorporating site installation for pipeline repair and new process operations as well as workshop spooling pieces for pipeline replacement.

For a large copper process plant in South Australia, PIHA has undertaken a series of pipe work spooling contracts to replace process piping that is subjected to high temperature, acidic solution within the concentrator process. Previous piping materials had developed leaks and erosion/corrosion failure which created production and environmental concerns for the plant. The HDPE pipelined spool pieces were developed by PIHA and tested in situ by the client to verify their suitability under extreme operating conditions.

Additional pipelining contracts effected through the year incorporated:

- An underground gold mine high pressure water main pipe comprising lined pipe spools to reduce erosion wear in operation and improve future access.
- Lined spool pipe components for plant process piping to minimise corrosion within a nickel process plant
- Lining repair of a failed steel water supply pipeline to protect against long term erosion and corrosion; and
- Lining of a water injection offshore petroleum pipeline subject to high velocity / high pressure saline water injection.

Widely acknowledged as one of the world's foremost innovators in polyethylene pipe technology, PIHA has carried out project work in all states of Australia and across South East Asia, providing extensive project management, construction, plant and equipment hire, maintenance and support services throughout the year.

PIHA's range of services undertaken in 2006 also includes pipeline and cable installations – both open trenching and trenchless techniques – pipeline maintenance, borefield operation and project management.

PIHA completed high pressure / low pressure steel and HDPE gas pipelines for mining and utility clients; pipe work, pumping stations, bore pumps and tanks for water supply borefield operations on gold, mineral sand and iron ore mine sites throughout Australia and a 1200mm diameter HDPE ocean outfall pipeline welding operation in Indonesia.

On all of these projects, the company enhanced its reputation for quality performance and innovative solutions that add value to the clients operations.



Review of Operations (continued)

Contract Crushing Services



As a specialist contract crushing company, CSI has established management, personnel and plant assets, policies and procedures that are explicit to the client and site for

which CSI supplies the crushing and processing services. The sole technical focus of the contract crushing team is to establish a partnering relationship with the client to enhance the operational and commercial outcome of the operation and add value to the partnership. This client-focused approach is incorporated into the business code of conduct that operates across all contracting operations and establishes a personal and professional basis for effective contract operations.

The CSI business model is primarily a Build, Own, Operate arrangement under which CSI designs and constructs purpose built crushing and processing plant specific to the site and client requirements. As both owner and operator of the crushing operations, CSI supplements the labour and management resources of the mining clients and provides an outsourced processing operation that minimizes client capital requirements and lessens the exposure of clients to industrial and labour issues.

The contract crushing services operation has made a significant contribution to Mineral Resources revenue and profitability following a very successful year characterized by extension of existing contracts, award of new contracts and increased performance and profitability across the operations.

The company successfully negotiated the rollover of its 3 million tonne per annum gold crushing operation in the Tanami, Northern Territory for a further three year period and has continued to maintain outstanding performance results for plant reliability, availability, and HSE outcomes at the site.

The gold crushing operation in Kalgoorlie was also extended for a further two year contract duration and the company site management received recognition for its production and safety achievements by the presentation of the client's international safety award, 'Safety Champion', to the Site Manager.

Additional new build, own, operate crushing and screening contracts have also been won and commissioned including the 8 million tonne per annum plant (5 mtpa initial contract requirements) for lump and fines iron ore processing in the Pilbara, Western Australia. This project is the largest operation undertaken by CSI and its award reflects the recognition and reputation of the company within the mining and resources sector.



Review of Operations (continued)

This contract has a minimum five year contract duration and CSI was able to complete the development phase of the project including commissioning and bringing it into full capacity operation within 9 months of being awarded access to the site. This timeliness of delivery is a hallmark of the company's business model.

The short lead time for plant delivery was achievable as a result of an extensive crushing and processing plant and component inventory owned by CSI that enables it to construct and commission plants substantially quicker than client developed operations. In a high demand market, that adds premium value to CSI's clients. CSI continues to have a substantial inventory of equipment that is available to implement several other equivalent size contract crushing plants within an extremely short time period to effect early market access for client commodities.

The company contract crushing services have been in operation since 1995 and the company has diversified its operations across a range of minerals and geographical locations. The ongoing contract crushing operations include services on iron ore, tantalum, gold, manganese and diamond mines throughout Australia and the provision of spare parts and crushing components to clients in Mali and the Congo.

Subsequent to the year end, CSI has completed the construction and commissioning of a track mounted stacker, tripper and feed boot to handle coal overburden and coal at a mine in Western Australia. This material handling equipment was rebuilt and refurbished in the CSI Kwinana workshop and transported to site in large, complete loads to minimize site erection time. The stacker has a capacity of in excess of 2000 bulk cubic metres of overburden per hour and is the initial work undertaken by CSI in the coal industry.

CSI has also completed the installation of a mobile crushing and screening plant in another Pilbara iron ore mine subsequent to year end. This operation, processing low grade material into saleable high grade product, has a nominal 5 million tonne per annum capacity and incorporates large track mounted crushing and screening components that have been developed as part of the company's research and development program over the past year.

This large capacity mobile plant has the ability to be easily relocated within a site and can be utilized on input crushing operations and for the re-treatment of stockpiles and low grade ore heaps with reduced feed haulage costs.

The 2006 year was an outstanding period of both consolidation on existing projects and growth through new projects with existing and additional clients in the contract crushing services market. The Group business focus on safety, client value and high quality performance and service has enhanced our corporate reputation as a provider of choice in a sector poised for significant and sustained growth.



Review of Operations (continued)

Group Workshop Operations

PIHA's premises in Perth, Western Australia include a manufacturing facility for polyethylene piping systems together with a sophisticated Research and Development operation.

The manufacturing facility undertakes a variety of manufacturing and fabrication operations that service the company's site contracting operations as well as providing stock sales of polyethylene pipe fittings and specialist fabricated components to the resource and mining market.

The PIHA workshop operation exceeded expectations and has developed long term partnering arrangements with both local and international corporations for the supply of a diversity of specialist pipeline fittings. The company has also continued its long standing business arrangements with the three (3) major polyethylene pipe manufacturers across Australia for the supply of pipe fittings and fabricated components to supplement those companies pipe supply capacity.

The PIHA manufactured stock items comprise polyethylene fittings from 63mm -1200mm which is the largest size of fittings manufactured in Australia. The manufacturing operation incorporates extruding machines, CNC lathes, presses and heat treatment ovens to maintain the component quality and consistency and all operations within the Company are undertaken with ISO 9001:2000 quality accreditation.

The workshop over the year has manufactured and distributed:

- HDPE sweep bends
- HDPE tee and wye pieces
- HDPE reducers and stub flanges; and
- Steel and HDPE pipe spooling and connectors

within Australia and overseas to Japan, Brunei, Myanmar and Indonesia.

The workshop also serves as the repair and dispatch centre for the PIHA plant and equipment operation which has achieved significant growth in the hire of polyethylene welding machines, trenching equipment, rock saws and general purpose pipeline installation plant.

The CSI workshop in Kwinana has developed as an important element in the successful growth of the company's build, own, operate contract crushing services by providing technical and equipment resources to supplement site requirements and for the supply of plant inventory and spare parts storage for the operation.

This inventory support is supplemented by the 3000 square metre workshop capacity in Kwinana that CSI utilises to repair and service plant, spares and consumables for the CSI operations. The workshop serves as the central stores and dispatch operation for site components and specialist crushing and processing personnel.

The CSI workshop is also utilized for the overhaul and refurbishment of crushing, screening, material handling and processing components for hire and sale to the resources market. This operation enables CSI to provide reconditioned components in a timely fashion to support the operations of its mining customers and the industry at large.

The workshop operation has been involved in the refurbishment of rotatable spares for all of the operating sites and was involved significantly in the fabrication and manufacture of the mechanical and electrical components for the fixed and mobile crushing plants established on mine sites across Australia during the year.

The CSI business model utilises the workshop team to refurbish, and update to OEM standards, reclaimed jaw and cone crushers and associated screening and material handling components that provide a timely and cost efficient service to the CSI clients locally and overseas.

Sales of reclaimed and refurbished crushing plant have developed significantly over the past year with an increase in sales revenue in excess of 60%. That has been as a result of unplanned, opportunistic market requirements and CSI has now determined to formalise this new business opportunity by implementing future marketing initiatives to meet the proven demand.

Subsequent to year end, the workshop has continued to achieve high quality performance in the refurbishment of reclaimed crushing hardware and sales of high capacity cone crushers and material handling plant have been successfully concluded without minimizing the available plant and equipment inventory for the existing and proposed CSI contract crushing projects.



Review of Operations (continued)

Minerals Processing Operation



Process Minerals International Pty Ltd (PMI), a wholly owned subsidiary of Mineral Resources Limited, delivers mineral processing and base metals recovery services to the international mining industry. PMI was first established as the owner and operator of Woodie Woodie fines operation, located approximately 400 kilometres southeast of Port Hedland in the Pilbara region of Western Australia, adjacent to Consolidated Minerals Limited's successful Woodie Woodie manganese operations.

During 2006, the company finalized the development of its three (3) stage beneficiation plant at the manganese operations. That plant forms part of the company's research and development program for the upgraded treatment and recovery of -1.2mm manganese ore. The plant consists of a dense media circuit, wet high intensity magnetic separation and an MG 6.2 spiral circuit. The plant has the capacity to produce in excess of 320,000 tonnes of 44% manganese concentrate per year.

PMI produces a consistently reliable and quality assured product from a world standard, state-of-the-art process plant and haulage via an all-weather bitumen road from the plant to a load-out facility at Port Hedland. As part of a quality management system, concentrates are blended and held in PMI's storage facility in Port Hedland prior to shipment.

PMI undertook its initial shipments of this trial high grade fines product in March 2006 and has developed a strong product recognition with Chinese ferro alloy producers.

Manganese is used in the steel-making process to impart strength and toughness. It also cleanses the process by removing sulphur and inhibiting oxidation. Manganese is generally added to the steel-making process in the form of manganese alloys, either as ferro-manganese or silico-manganese, depending on the process.

Demand for manganese ore directly reflects the growth of the world's steel industry and, since the early part of this decade, has been strongly influenced by the high level of growth of China's domestic steel industry as China has emerged as one of the key drivers of world economic growth.



Review of Operations (continued)

The demand for manganese in the latter part of 2006 financial year was impacted by stockpile build up in China of imported product with a consequent reduction in sales price. Demand in 2006/2007 has improved and pricing stabilised. It is anticipated that the forecast production of the PMI manganese operation will exceed the prospectus forecast of 240,000 tonnes of manganese concentrate in 2007 and, subsequent to year end exports are running at 15% in excess of that forecast tonnage.

PMI's experienced, hands-on management team is committed to leveraging off the success of the Woodie Woodie fines operation by applying its mineral processing expertise to bring new process operations into production from an existing portfolio of base metal and industrial mineral deposits in Australian and South East Asia.

The team is progressively developing the proposal for an iron sands process plant in the Philippines which will add significant value to the Company's export capacity.

Markets and Outlook

The outlook for the next financial year is for continued production growth within the resource sector to promote continued profit growth for Mineral Resources.

The export earnings from the minerals and energy sector within Western Australia has increased 32% in the 2005-2006 year to reach \$90.5 billion with, significantly, the strongest performers being steel industry commodities.

The iron ore market, driven by the outlook for global steel production, remains robust with the key drivers being sustainable high levels of production in China and increasing demand across the major steel producing economies in Asia and Europe.

The increase in China's gross domestic product is based on strong underlying fundamentals that foreshadow the "super cycle" of resource commodity pricing that reflects the context of a consistent and high economic growth profile over the past 25 years.

The huge demand for steel related commodities as the base to support the economic growth in China provides ongoing support for the contract crushing operations of Mineral Resources as well as for the

- manganese processing operation at Woodie Woodie,
- the infrastructure and piping services from the general group civil engineering operations, and
- the proposed iron sands and chromite processing plants that have been foreshadowed on tenements in the Philippines.

The market outlook for Mineral Resources is further enhanced by the growth of demand in India and the subcontinent.

With the projected doubling in steel production from 30 million tonnes in 2006 to 2012, the market for iron ore and manganese, and other commodities, will enhance the Company's business opportunities.

Mineral Export Earnings (Australia)			
Commodity	2005-06	Increase From 2004-05	
Coking Coal	\$17bn	\$6.3bn	59%
Iron Ore & pellets	\$13bn	\$4.4bn	54%
Copper	\$5.5bn	\$2.4bn	79%
Refined gold	\$7.1bn	\$1.6bn	29%
Zinc	\$2.5bn	\$1.1bn	72%
Steaming Coal	\$7.2bn	\$867m	14%

Source: Australian Mineral Statistics – June Quarter 2006. Published by Abare, September 13, 2006.

Review of Operations (continued)

The integrated business operation of Mineral Resources is aligned to the resource sector and the continued commodity demand will add value to all of the subsidiaries' operations over the foreseeable future.

As a fundamental element in the continued growth and profitability of the Group, Mineral Resources also proposes to aggressively pursue the development of the iron sands operation in the Philippines as a priority business strategy. The preliminary investigation results confirm a high grade deposit on the tenements with potential for significant operational revenue and earnings to add substantial value for shareholders.

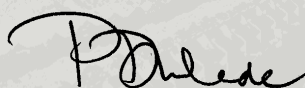
Conclusion

In conclusion, the results of Mineral Resources for the 2005/2006 are outstanding and reflect the quality and commitment of the management team to develop a company of which all shareholders can be proud.

Our vision is to continue to grow the company as an integrated provider of services and goods to the resource sector and to achieve recognition as a partner of choice for our clients.

Our growth strategy is to build on the reputation and quality of the business and the people for existing operations and to pursue complementary and earnings accretive new businesses that conform to our business model.

Our aim is to continue to develop capital growth and dividends for the Company's shareholders and to maintain an effective partnership with all of the stakeholders associated with our company.



Peter Wade
Managing Director

27 September 2006



Directors' Report

Profile

Mineral Resources Limited is an integrated provider of mining services and contracting operations that adds value to its clients in the mining and infrastructure industry. The company specialises in contract crushing services, pipeline and pipe lining operations and mineral processing across a wide range of geographical locations and commodities.

The key points of differentiation is the focus on innovation and research and development to deliver solutions and outcomes in a partnership with clients.

The corporate focus on safety, leadership and client value supports Mineral Resources achieving its objective of being the services contractor of choice in the resources sector.

Directors' Report

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 27 February 2006, the date of incorporation, to 30 June 2006 and the independent audit thereon.

Directors

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

Michael Kiernan

Independent non-executive chairman (age 57)

Appointed 26 June 2006

Michael Kiernan has over 30 years experience in the transport, processing and mining contracting industries. He has been involved in all the major manganese projects of the East Pilbara. His experience includes gold, iron ore, nickel, barytes and tin projects. He has held executive positions with Australia's major transport and mining contractors.

Michael is currently chairman of Croesus Mining NL, Monarch Gold Mining Company Limited and Uran Limited. He is also a director of Australian Zircon. Previously, the managing director of Consolidated Minerals Limited Michael is experienced in corporate governance and risk management of rapidly expanding resource industry operations.

Joe Ricciardo

Independent non-executive director (age 51)

Appointed 26 June 2006

Joe Ricciardo has 27 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.

Peter Wade

Managing director (age 56)

Appointed 27 February 2006

Peter Wade has over 35 years experience in engineering, construction, project management and mining and infrastructure services.

Peter started his career in the NSW Public Service and managed the construction of the Port Kembla coal loader, grain terminals at Newcastle and Wollongong and was the Deputy Director for the Darling Harbour Redevelopment construction project.

As an executive of the Transfield Group in the 1980s and 1990s he was general manager of Sabemo Pty Ltd, Transfield Construction Pty Ltd, Transfield Power Technologies and then Transfield Chief Operations Officer (Southern) responsible for major build, own, operate projects including Melbourne City Link, Airport Link, Northside Storage Tunnel and Collinsville and Smithfield Power Plants.

Directors' Report (continued)

Directors (continued)

Chris Ellison

Executive director (age 49)
Appointed 27 February 2006

Chris Ellison is the founding shareholder of each of the Mineral Resources companies and has over 25 years experience in the mining contracting, engineering and resource processing industries.

Chris has been the managing director of Monadelphous Pty Ltd, KCUT Pty Ltd and the CSI Group and was instrumental in developing the build, own, operate concept of contract crushing in the resource and mining sector.

Bob Gavranich

Executive director (age 51)
Appointed 27 February 2006, resigned 26 June 2006

Bob Gavranich is the founding shareholder and general manager of PIHA. He has over 25 years experience in the design and manufacture of polyethylene pipeline fittings and general pipeline and pipelining construction works.

Bob was the project director for PIHA on the Murraylink Project for which PIHA was awarded the Case Environmental Engineering Award and The Institution of Engineers Australia Engineering Excellence Award in both the Environment Category and the Project Infrastructure Category.

Steve Wyatt

Executive director (age 42)
Appointed 27 February 2006, resigned 26 June 2006

Steve Wyatt is the founding shareholder and general manager of CSI. He has over 20 years experience in the mining contracting and resource processing industries.

He has designed and constructed all of the major contract crushing plants and mineral processing operations for Mineral Resources Group of Companies and has undertaken substantial research and development engineering that led to the development and manufacture of 1000 tonne per hour mobile crushing and screening plants by the Group.

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		Nomination Committee Meetings		Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
M Kiernan	1	1	*	*	nil	nil	nil	nil
J Ricciardo	1	1	nil	nil	nil	nil	nil	nil
P Wade	3	3	nil	nil	nil	nil	nil	nil
C Ellison	3	3	*	*	*	*	*	*
B Gavranich	3	3	*	*	*	*	*	*
S Wyatt	3	3	*	*	*	*	*	*

* - Not a member of the relevant committee

Principal activities

The principal activity of the consolidated entity is as an integrated provider of goods and services to the resources sector. There has been no significant change in the nature of this activity during the financial year.

Operating and financial review

The consolidated net loss after income tax of the consolidated entity for the year attributable to members of Mineral Resources was \$496.

Directors' Report (continued)

Operating and financial review (continued)

The company was incorporated on 27 February 2006. On 26 June 2006, Mineral Resources Limited acquired the entire share capital of the subsidiary companies, PIHA Pty Ltd, Crushing Services International Pty Ltd and Process Minerals International Pty Ltd. The company did not trade between the date of incorporation and acquisition of the subsidiary companies.

The operating and financial review are contained in the Chairman's Review.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the company or the consolidated entity during the past financial year other than as disclosed in the financial statements.

Dividends

No dividends were paid or declared by the company to members between incorporation of the company on 27 February 2006 and 30 June 2006. On 13 September 2006, directors declared an initial interim dividend of 1.2 cents per share to be paid on shares held on 13 October 2006. The dividend will be paid on 15 November 2006.

Events subsequent to reporting date

Mineral Resources Limited was accepted onto the Official List of Australian Stock Exchange Limited on 26 July 2006 and shares commenced trading on the Australian Stock Exchange on 28 July 2006. The company issued 25,000,000 ordinary shares at a value of \$0.90 each in the initial public offering. The prospectus issued on 5 July 2006 outlines the conditions of the offer.

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 the Chairman's Review and this Directors' Report.

Directors' relevant interests

No director has or has had any interest in a contract entered into since the Company's registration 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 Shares
M Kiernan	100,000
J Ricciardo	555,750
P Wade	8,816,162
C Ellison	49,062,815

Indemnification and insurance of directors, officers 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 2006.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability, legal expenses and insurance contracts as such disclosure is prohibited under the terms of the contract.

Secretary

Bruce Goulds

Appointed Company Secretary on 27 February 2006.

Bruce Goulds has over 25 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' Report (continued)

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 the notes to 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 Professional Statement F1 Professional Independence, 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.

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 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 senior management 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.

Details and amounts of remuneration

(i) Non-executive directors of Mineral Resources Limited

No fees were paid to non-executive directors during the period. Details of non-executive director's remuneration packages are contained in the financial statements.

(ii) Managing Director and executives of Mineral Resources Limited and the consolidated entity

No fees were paid to the Managing Director and executives during the period. Details of the Managing Director's and executives' remuneration packages are contained in the financial statements.

Employment contracts between the Company and its employees may be terminated by giving the appropriate notice by either the Company or the employee. There are no provisions for any termination payments other than for unpaid holiday and long service leave.

(iii) Share based compensation

There was no share based or other compensation during the period.

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



Peter Wade
Managing Director

Dated this 27th day of September 2006

Auditor's Independence Declaration

RSM Bird Cameron Partners
Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
Telephone: +61 8 9261 9100
Facsimile: +61 8 9261 9111
www.rsmi.com.au

Auditor's Independence Declaration To The Board Of Directors Of Mineral Resources Limited

As lead audit partner for the audit of the financial report of Mineral Resources Limited for the period 27 February 2006 to 30 June 2006, 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

S C Cubitt

S C CUBITT
Partner

Perth, WA
Dated: 27th September 2006

Liability limited by a
scheme approved under
Professional Standards
Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is an independent
member firm of RSM International, an affiliation
of independent accounting and
consulting firms.



Corporate Governance Statement

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

The Board considers it is 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 its "Principles of Good Corporate Governance and Best Practice Recommendations" ("Recommendations") in March 2003. 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.

The directors consider that Mineral Resources Limited's corporate governance practices generally comply with the Recommendations.

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 two (2) 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 Kiernan and Ricciardo would satisfy all the tests of the Recommendations and are considered as being independent.

In accordance with the Corporations Act 2001, any director who has an interest of any kind in relation to any 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 investment portfolio and on the operational and financial performance of Mineral Resources Limited.

Corporate Governance Statement (continued)

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 of two (2) directors, 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.

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.

Income Statement

For the period 27 February 2006, the date of incorporation, to 30 June 2006

	Note	Consolidated \$	Parent Entity \$
Revenue		-	-
Other expenses		709	709
Loss before income tax benefit		709	709
Income tax benefit	3	(213)	(213)
Loss after income tax benefit		496	496
Basic earnings per share (cents per share)		-	-

The accompanying notes form an integral part of the Income Statement

Balance Sheet as at 30 June 2006

	Note	Consolidated \$	Parent Entity \$
Current assets			
Cash and cash equivalents	4	1,234,271	-
Trade and other receivables	5	15,467,898	-
Inventories	6	2,242,773	-
Other	7	801,200	212,630
Total current assets		19,746,142	212,630
Non current assets			
Trade and other receivables	5	5,020,916	-
Investment in subsidiaries	14	-	43,731,664
Other financial assets		77,841	-
Plant and equipment	8	87,114,758	-
Intangible assets	9	10,235,479	-
Deferred tax assets	10	1,442,939	213
Total non current assets		103,891,933	43,731,877
Total assets		123,638,075	43,944,507
Current liabilities			
Trade and other payables	11	15,187,325	173,864
Hire purchase creditors	12	8,905,618	-
Secured loans	12	2,637,500	-
Bank overdraft	12	2,491,277	-
Income tax payable		1,513,314	-
Provisions	13	4,661,563	-
Total current liabilities		35,396,597	173,864
Non current liabilities			
Trade and other payables	11	10,357,491	39,475
Hire purchase creditors	12	22,737,790	-
Secured loans	12	500,000	-
Deferred tax liabilities	10	10,915,029	-
Total non current liabilities		44,510,310	39,475
Total liabilities		79,906,907	213,339
Net assets		43,731,168	43,731,168
Equity			
Issued capital	14	43,731,664	43,731,664
Retained earnings		(496)	(496)
Total equity		43,731,168	43,731,168

The accompanying notes form an integral part of the Balance Sheet

Statement of Changes in Equity

For the period 27 February 2006, the date of incorporation, to 30 June 2006

Consolidated 2006	Share Capital	Retained Earnings	Total
	\$	\$	\$
Balance at incorporation – 27 February 2006	-	-	-
Share issue in consideration for acquisition of subsidiaries	43,731,664	-	43,731,664
Net loss	-	(496)	(496)
Balance at 30 June 2006	43,731,664	(496)	43,731,168

Parent Entity 2006

Balance at incorporation – 27 February 2006	-	-	-
Share issue in consideration for acquisition of subsidiaries	43,731,664	-	43,731,664
Net loss	-	(496)	(496)
Balance at 30 June 2006	43,731,664	(496)	43,731,168

The accompanying notes form an integral part of the Statement of Changes in Equity

Cash Flow Statement

For the period 27 February 2006, the date of incorporation, to 30 June 2006

	Note	Consolidated \$	Parent Entity \$
Cash flows from operating activities			
Cash receipts from customers		-	-
Cash payments to suppliers and employees		-	-
Interest received		-	-
Interest and other costs of finance paid		-	-
Income taxes paid		-	-
Net cash flows from operating activities	15(b)	-	-
Cash flows from investing activities			
Bank overdraft acquired from acquisition of controlled entities		(1,257,006)	-
Net cash flows from investing activities		(1,257,006)	-
Cash flows from financing activities			
Proceeds from share issue		-	-
Proceeds from borrowings		-	-
Repayment of borrowings		-	-
Dividends paid		-	-
Net cash flows from financing activities		-	-
Net decrease in cash and cash equivalents		(1,257,006)	-
Cash and cash equivalents at the beginning of the financial period		-	-
Cash and cash equivalents at the end of the financial period	15(a)	(1,257,006)	-

The accompanying notes form an integral part of the Cash Flow Statement

Notes to the Financial Statements

For the period 27 February 2006, the date of incorporation, to 30 June 2006

Note 1: Significant accounting policies

Mineral Resources Limited (the "Company") is a company domiciled in Australia that was incorporated on 27 February 2006 and accordingly, this is its first financial report. The consolidated financial report of the Company for the period ended 30 June 2006 comprises the Company and its subsidiaries (together referred to as the "consolidated entity"). The subsidiaries were acquired on 26 June 2006 as further disclosed in Note 19.

(i) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ("AASB") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. International Financial Report Standards ("IFRS") form the basis of Australian Accounting Standards adopted by the AASB and for the purpose of this report are called Australian equivalents to IFRS ("AIFRS") to distinguish them from previous Australian GAAP ("AGAAP").

This is the consolidated entity's first AIFRS annual financial report. However, as the Company was incorporated on 27 February 2006 and has not previously reported under AGAAP, no explanation of how the transition to AIFRS has affected the reported financial position, financial performance and cash flows of the consolidated entity and the Company is required.

(ii) Basis of preparation

The financial report is presented in Australian dollars.

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

(iii) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefit from its activities in assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial report from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(iv) Income tax

Income tax on the income statement comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax provision is the expected tax payable on the taxable income for the year, using tax rates substantively enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates substantively enacted at balance sheet date.

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

Note 1: Significant accounting policies (continued)

(iv) Income tax (continued)

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Tax consolidation

The Company and its wholly owned Australian resident entities have formed a tax consolidated group with effect from 1 July 2006 and are taxed as a single entity from that date. The head entity within the tax consolidated group is Mineral Resources Limited.

Current tax expense, deferred tax liabilities and deferred tax assets arising from unused tax losses of the subsidiaries is assumed by the head entity in the tax consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any tax funding arrangement amounts.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that future taxable profits of the tax-consolidated group will be available against which the asset can be utilised.

Nature of the funding agreements and tax sharing agreements

The head entity, in conjunction with other members of the tax-consolidated group, has entered into a tax funding arrangement which sets out the funding obligations of members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the head entity equal to the current tax liability (asset) assumed by the head entity and any tax-loss deferred tax asset assumed by the head entity, resulting in the head entity recognising an inter-entity receivable (payable) equal in amount to the tax liability (asset) assumed. The inter-entity receivables (payables) are at call.

Contributions to fund the current tax liabilities are payable in accordance with the tax funding arrangement and reflect the timing of the head entity's obligation to make payments for tax liabilities to the relevant tax authorities.

The head entity in conjunction with other members of the tax-consolidated group, has also entered into a tax sharing agreement. The tax sharing agreement provides for the determination of the allocation of income tax liabilities between entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement as payment of any amounts under the tax sharing agreement is considered remote.

(v) 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 case basis with the exception of contract specific requirements to use an average cost basis.

Construction work in progress

Construction work in progress is stated at the aggregate of contracts costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where billings exceed the aggregate costs incurred including profit margins, the net amounts are presented under trade and other payables.

Contract costs include all costs directly related to specific contracts, costs that are specifically chargeable to the customer under the terms and conditions of the contract and an allocation of overhead expenses incurred in connection with the consolidated entity's construction activities based on normal operating capacity.

(vi) Intangibles

Business combinations from 1 July 2006

All business combinations are accounted for by applying the purchase method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Following initial recognition, goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is no longer amortised but is tested annually for impairment, or more frequently if indicators of impairment exist.

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

Note 1: Significant accounting policies (continued)

(vi) Intangibles (continued)

Tender and project establishment costs

Expenditure incurred in tendering and establishing facilities to provide construction or maintenance or other services under specific contracts may be capitalised and amortised over the initial term of the contract.

Other intangible assets

Other intangible assets that are acquired by the consolidated entity are stated at cost less accumulated amortisation and impairment losses.

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is charged to the income statement on a straight line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Goodwill and intangible assets with indefinite useful lives are systematically tested for impairment at each annual balance sheet date. Other intangible assets are amortised from the date that they are available for use. The estimated useful lives are as follows:

	Life
Tender and project establishment costs	Initial contract term
Other intangible assets	5 years

(vii) Revenue recognition

Goods sold and services rendered

Revenue from sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. 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 be 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 as it accrues, using the effective interest method.

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

Note 1: Significant accounting policies (continued)

(vii) Revenue recognition (continued)

Dividends

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

Revenue from dividends from investment in jointly controlled entities and other investments is recognised when dividends are receivable.

(viii) 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 entities cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(ix) 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.

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.

Life

Buildings	20 years
Plant and equipment	3-20 years or the term of the lease

The residual value, the useful life and the depreciation method applied to an asset are reassessed at least annually.

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

Note 1: Significant accounting policies (continued)

(x) Impairment

The carrying amounts of the consolidated entity's assets, other than cash and cash equivalents, inventories, construction contract assets, and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated annually.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit and then, to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Reversal of impairment

Impairment losses, other than in respect of goodwill, are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine recoverable amount. An impairment loss in respect of goodwill is not reversible.

An impairment loss in respect of a held to maturity security or receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. Where net cash inflows are not largely independent, recoverable amount is determined for the cash generating unit to which the asset belongs. The decrement in the carrying amount is recognised as an expense in the reporting period in which the impairment loss occurs.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment.

(xi) Trade and other receivables

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

(xii) 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.

(xiii) 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.

(xiv) 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.

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

Note 1: Significant accounting policies (continued)

(xv) Finance cost

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.

(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 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.

(xvii) 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.

(xix) Provisions

Provisions are recognised when the consolidated entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of time value of money and, where appropriate, the risks specific to the liability.

Warranties

Provision is made for the estimated liability on all products still under warranty at balance date. This provision is estimated having regard to service warranty experience.

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

Note 1: Significant accounting policies (continued)

(xix) Provisions (continued)

Insurance

The consolidated entity self insures for some risks, including workers compensation. Provision is made for the consolidated entity's obligations for both incurred and incurred but not reported insurance claims through an actuarial assessment based on prior claims history.

Project closure

At the completion of some projects the consolidated entity may have 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.

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.

(xx) Earnings per share

Basic earning 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.

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

Note 1: Significant accounting policies (continued)

(xxiii) Accounting estimates and judgements

Capitalisation of tender costs

Expenditure incurred in relation to major tenders requiring significant preparation investment is capitalised and amortised over the initial term of the contract, where the costs can be separately identified and measured reliably and it is probable that the contract will be obtained. Judgement is exercised in determining whether it is probable that the contract will be obtained. An error in judgement would result in tender costs being recognised in the income statement in the following year.

Impairment of goodwill and intangibles with indefinite useful lives

The consolidated entity assesses whether goodwill and intangibles with indefinite useful lives are assessed 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.

Note 2: Statement of operations by segments

Business segments – Primary reporting

Mineral Resources Limited operates in the single business segment. The group is an integrated provider of goods and services to the resources sector.

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

	Consolidated \$	Parent Entity \$
Note 3: Income tax expense		
Recognised in the income statement		
Current year – income tax benefit	(213)	(213)
Total income tax benefit in income statement	(213)	(213)

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

Loss before income tax	(709)	(709)
Prima facie tax thereon at 30%	(213)	(213)
Adjustments	-	-
Income tax expense/(benefit) attributable to loss	(213)	(213)

Note 4: Cash and cash equivalents

Cash at bank	1,226,771	-
Cash on hand	7,500	-
	1,234,271	-

Note 5: Trade and other receivables

Current		
Trade and other debtors	15,467,898	-
Non current		
Trade and other debtors	5,020,916	-

The amounts receivable from wholly owned entities are unsecured and payable on demand. Trade and other debtors are shown net of impairment losses of \$652,285.

Note 6: Inventories

Current		
Raw materials and stores at net realisable value	1,925,164	-
Work in Progress	273,439	-
Construction work in progress (refer below)	44,170	-
	2,242,773	-
Aggregate of costs and profits recognised on contracts in progress	1,950,672	-
Progress billings and advances received on contracts in progress	(1,906,502)	-
Net construction work in progress	44,170	-

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

	Consolidated \$	Parent Entity \$
Note 7: Other assets		
Current		
Prepayments and other	801,200	212,630

Note 8: Plant and equipment

Plant and equipment at cost

Plant and equipment

Cost		
Opening balance	-	-
Additions from the acquisition of controlled entities	16,485,227	-
Closing balance	16,485,227	-
Accumulated depreciation		
Opening balance	-	-
Additions from the acquisition of controlled entities	(3,095,536)	-
Closing balance	(3,095,536)	-
Net book value	13,389,691	-

Plant and equipment under lease

Cost		
Opening balance	-	-
Additions from the acquisition of controlled entities	81,116,841	-
Closing balance	81,116,841	-
Accumulated depreciation		
Opening balance	-	-
Additions from the acquisition of controlled entities	(7,391,774)	-
Closing balance	(7,391,774)	-
Net book value	73,725,067	-

Total property, plant and equipment at cost	97,602,068	-
Total property, plant and equipment accumulated depreciation	(10,487,310)	-
Total property, plant and equipment net	87,114,758	-

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

	Consolidated \$	Parent Entity \$
Note 9: Intangible assets		
<i>Goodwill</i>		
Cost		
Opening balance	-	-
Additions from the acquisition of controlled entities	10,235,479	-
Closing balance	10,235,479	-

Impairment tests for cash generating units containing goodwill

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

• Crushing Services International Pty Ltd	-	-
• PIHA Pty Ltd	8,817,215	-
• Process Minerals International Pty Ltd	1,418,264	-
	10,235,479	-

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.

Note 10: Deferred tax assets and liabilities

Deferred tax assets		
Unused tax loss	213	213
Additions from the acquisition of controlled entities	1,442,726	-
	1,442,939	213
Deferred tax liabilities		
Additions from the acquisition of controlled entities	10,915,029	-
Unrecognised deferred tax balances		
Deferred tax assets		
Tax losses – revenue	949,104	-

A proportion of the potential deferred tax asset arising from tax losses of controlled entities has not been recognised as an asset because recovery of the tax losses is not regarded as probable.

The potential deferred tax asset will only be obtained if:

- the relevant company derives future assessable income of a nature and an amount sufficient to enable the asset to be realised;
- the relevant company continues to comply with the conditions for deductibility imposed by the law; and
- no changes in tax legislation adversely affect the relevant company in realising the asset.

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

	Note	Consolidated \$	Parent Entity \$
Note 11: Trade and other payables			
Current			
Unsecured liabilities			
- trade creditors and accruals		15,187,325	173,864
Non current			
Unsecured liabilities			
- trade creditors and accruals		10,357,491	-
- amounts payable to wholly owned entities		-	39,475
		10,357,491	39,475

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

Note 12: Interest bearing loans and borrowings

Current			
Unsecured liabilities			
- bank overdraft		2,491,277	-
Secured liabilities			
- secured loans		2,637,500	-
- hire purchase creditors	16	8,905,618	-
		11,543,118	-
Non current			
Secured liabilities			
- secured loans		500,000	-
- hire purchase creditors	16	22,737,790	-
		23,237,790	-

Details of the security held is as follows:

Registered Mortgage Debenture given by Mineral Resources Limited ACN 118 549 910 over the whole of the assets and undertaking of the company including uncalled capital, if any.

Registered Mortgage Debenture given by Crushing Services International Pty Ltd ACN 069 303 377 over the whole of the assets and undertaking of the company including uncalled capital, if any.

Registered Mortgage Debenture given by PIHA Pty Ltd ACN 061 356 812 over the whole of the assets and undertaking of the company including uncalled capital, if any.

Registered Mortgage Debenture given by Process Minerals International Pty Ltd ACN 063 988 894 over the whole of the assets and undertaking of the company including uncalled capital, if any.

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

	Consolidated \$	Parent Entity \$
Note 12: Interest bearing loans and borrowings (continued)		
Finance facilities		
(a) The consolidated entity has access to the following lines of credit:		
Bank overdraft		
Limit	2,700,000	-
Amount utilised	2,491,277	-
Unused facility	208,723	-
Overseas Bills Purchasing Line		
Limit	1,533,333	-
Amount utilised	-	-
Unused facility	1,533,333	-
Hire purchase liabilities		
Limit	22,058,562	-
Amount utilised	19,306,314	-
Unused facility	2,752,248	-
Bank loans		
Limit	3,137,500	-
Amount utilised	3,137,500	-
Unused facility	-	-

Note 13: Provisions

Current		
Employee entitlements	1,768,212	-
Project related		
Warranty	245,000	-
Project closure	2,648,351	-
	4,661,563	
Warranty provision movement		
Opening balance	-	-
Increase through acquisition of controlled entities	245,000	-
Closing balance	245,000	-
Project closure movement		
Opening balance	-	-
Increase through acquisition of controlled entities	2,648,351	-
Closing balance	2,648,351	-

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

Note 14: Share Capital

(a) Issued and paid up capital

Issued and paid up capital of the company is 105,348,000 ordinary shares.

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.

	Number	\$
(b) Movements in contributed equity		
Opening balance at incorporation – 27 February 2006	-	-
Shares issued to acquire controlled entities on 26 June 2006	105,348,000	43,731,664
Closing balance	105,348,000	43,731,664

	Consolidated \$	Parent Entity \$
--	--------------------	---------------------

Note 15: Cashflow Information

(a) Reconciliation of cash

Cash at bank and on hand	1,234,271	-
Bank overdraft	(2,491,277)	-
	(1,257,006)	-

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.

(b) Reconciliation of loss after tax to cash flow from operations

Loss after tax	(496)	(496)
Changes in assets and liabilities:		
Trade creditors and accruals	496	496
Cash flows from operations	-	-

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

Note 15: Cashflow Information (continued)

(c) Acquisition of subsidiaries

On 26 June 2006, Mineral Resources Limited acquired subsidiary companies.

The acquisition comprised the purchase of the share capital in the following companies:

Company	% shares acquired
Crushing Services International Pty Ltd (CSI)	100%
PIHA Pty Ltd (PIHA)	100%
Process Minerals International Pty Ltd (PMI)	100%

Crushing Services International Pty Ltd (CSI)

On 26 June 2006, Mineral Resources Limited acquired CSI for consideration of ordinary shares in Mineral Resources Limited. The acquisition has the following effect on the consolidated entity's assets and liabilities.

Acquiree's net assets at the acquisition date \$	MRL recognised values	Original carrying amounts
Trade receivables and inventory	10,573,207	10,573,207
Plant and equipment	67,740,617	67,740,617
Other assets	184,986	184,986
Bank balances (net)	1,451,102	1,451,102
Trade payables	(12,753,135)	(12,753,135)
Tax liabilities (net)	(10,019,488)	(10,019,488)
Interest bearing loans and borrowings	(28,992,278)	(28,992,278)
Provisions	(2,228,490)	(2,228,490)
Net identifiable assets and liabilities	25,956,521	25,956,521
Goodwill on acquisition	-	-
Total consideration	25,956,521	

PIHA Pty Ltd (PIHA)

On 26 June 2006, Mineral Resources Limited acquired PIHA for consideration of ordinary shares in Mineral Resources Limited. The acquisition has the following effect on the consolidated entity's assets and liabilities.

Acquiree's net assets at the acquisition date \$	MRL recognised values	Original carrying amounts
Trade receivables and inventory	8,544,465	8,544,465
Plant and equipment	6,809,806	6,809,806
Other assets	403,584	403,584
Bank balances (net)	(2,488,092)	(2,488,092)
Trade payables	(7,876,439)	(7,876,439)
Tax assets (net)	391,427	391,427
Interest bearing loans and borrowings	(2,524,769)	(2,524,769)
	(2,288,654)	(2,288,654)
Net identifiable assets and liabilities	971,328	971,328
Goodwill on acquisition	8,817,215	
Total consideration	9,788,543	

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

Note 15: Cashflow Information (continued)

Process Minerals International Pty Ltd (PMI)

On 26 June 2006, Mineral Resources Limited acquired PMI for consideration of ordinary shares in Mineral Resources Limited. The acquisition has the following effect on the consolidated entity's assets and liabilities.

Acquiree's net assets at the acquisition date \$	MRL recognised values	Original carrying amounts
Trade receivables and inventory	8,974,402	8,974,402
Plant and equipment	12,564,335	12,564,335
Other assets	77,841	77,841
Bank balances (net)	(220,016)	(220,016)
Trade payables	(10,062,390)	(10,062,390)
Tax liabilities (net)	(1,357,556)	(1,357,556)
Interest bearing loans and borrowings	(3,263,861)	(3,263,861)
Provisions	(144,419)	(144,419)
Net identifiable assets and liabilities	6,568,336	6,568,336
Goodwill on acquisition	1,418,264	
Total consideration	7,986,600	

Note 16: Operating and finance leases

	Consolidated \$	Parent Entity \$
Non cancellable operating leases contracted for but not capitalised:		
Payable:		
- not later than one year	997,203	-
- later than one year but not later than five years	3,145,490	-
- later than five years	-	-
	4,142,693	-

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

Hire purchase liabilities

Payable:

- not later than one year	10,825,215	-
- later than one year but not later than five years	25,359,123	-
- later than five years	-	-
Minimum hire purchase payments	36,184,338	-
Less future finance charges	(4,540,930)	-
Total hire purchase liabilities	31,643,408	-

Reconciled to:

- Current liabilities	8,905,618	-
- Non current liabilities	22,737,790	-
	31,643,408	-

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

	Consolidated \$	Parent Entity \$
Note 17: Capital commitments		
Capital expenditure commitments contracted for:		
Plant and equipment purchases within one year	1,985,698	-

Note 18: Employee benefits

Provision for employee entitlements:		
Current	1,768,212	-
Non current	-	-
Total employee entitlement liabilities	1,768,212	-

Superannuation

Benefits provided under the superannuation funds to which the consolidated entity contributes are based on accumulated contributions and earnings for each employee. The consolidated entity has a legal obligation to contribute to the funds in accordance with the Superannuation Guarantee Charge legislation.

Note 19: Controlled entities

(a) Controlled entities

The financial statements at 30 June 2006 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	Owned %
Parent entity:			
Mineral Resources Limited	Australia		
Controlled entities:			
Crushing Services International Pty Ltd	Australia	Large Proprietary	100%
PIHA Pty Ltd	Australia	Large Proprietary	100%
Process Minerals International Pty Ltd	Australia	Large Proprietary	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.

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

Note 20: 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 M Kiernan (Chairman)
- Mr J Ricciardo

Executive directors:

- Mr P Wade (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)

Details of remuneration

The remuneration policy of the Company as it applies to key management personnel is disclosed in the Remuneration Report contained in the Directors' Report.

Amounts of remuneration

Non-executive directors of Mineral Resources Limited

No fees were paid to non-executive directors during the period. Details of non-executive director's remuneration packages are contained in the financial statements.

Managing director and executives of Mineral Resources Limited and the consolidated entity

No fees were paid to the Managing Director and executives during the period.

Share based compensation

There was no share based or other compensation during the period.

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

The Managing Director's contract extends to 1 January 2008. No other executives have a fixed-term contract with termination arrangements in place which would result in payments to executives in excess of that which would have otherwise been earned as remuneration for their employment.

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

Note 20: Key management personnel disclosures (continued)

Details of the nature and amount of each major element of annual compensation packages of each director and each of the key management personnel of the company and consolidated entity is as follows:

	Employment Contract			Annual Remuneration Benefits				
	Duration	Completion Date	Notice Period	Short-term Remuneration			Post-employment Benefits	Total
				Salary & Fees	Non-monetary benefits	Total	Super-annuation	Total
Directors								
Non executive Directors								
M Kiernan-Chairman*	3 years	26 June 09	n/a	150,000	-	150,000	13,500	163,500
J Ricciardo*	3 years	25 June 09	n/a	90,000	-	90,000	8,100	98,100
Executive Directors								
P Wade Managing Director	3 years	1 January 08	6 months	300,000	96,600	396,600	50,000	446,600
C Ellison Business Development	3 years	1 July 09	6 months	300,000	35,000	335,000	27,000	362,000
Total Directors				840,000	131,600	971,600	98,600	1,070,200
Executives								
S Wyatt General Manager, CSI	3 years	1 July 09	6 months	300,000	35,000	335,000	27,000	362,000
B Gavranich General Manager, PIHA	3 years	1 July 09	6 months	300,000	35,000	335,000	27,000	362,000
D Geraghty General Manager, PMI	3 years	1 July 09	6 months	206,500	25,000	231,500	18,500	250,000
B Goulds Chief Financial Officer	3 years	1 July 09	6 months	165,500	4,980	170,480	18,000	188,480
Total Executives				972,000	99,980	1,071,980	90,500	1,162,480

* See note on Equity Instruments below.

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

Note 20: Key management personnel disclosures (continued)

Loans to key management personnel and their related parties

No loans have been made to directors or key management personnel during the period.

Equity instruments

No equity instruments have been issued to directors or key management personnel during the period.

As part of Michael Kiernan's engagement as non-executive chairman of the Company, he will be allocated up to 3,500,000 Shares and 1,500,000 Options exercisable at \$0.90 and an expiry date of 3 years after the date of grant. The securities will be issued in 3 equal tranches (of 1,166,667 Shares and 500,000 Options) on the dates that are 1, 2 and 3 years after the date the Company was admitted to the Official List, unless he ceases to be chairman during that period of time in which case he is not entitled to the securities which have not already been issued.

As part of Joe Ricciardo's engagement as non-executive director of the Company, he will be allocated up to 1,500,000 Options exercisable at \$0.90 and an expiry date of 3 years after the date of grant. The securities will be issued in 3 equal tranches (of 500,000 Options) on the dates that are 1, 2 and 3 years after the date the Company was admitted to the Official List, unless he ceases to be a director during that period of time in which case he is not entitled to the securities which have not already been issued.

Options granted as remuneration

No options over ordinary shares were granted and/or vested during the current period.

Exercise of options granted as remuneration

No options over ordinary shares were exercised during the current period.

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

Option holdings

No options were held by key management personnel at any time during the financial period.

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:

2006	Held at 27 February 2006	Purchases	Received on exercise of options	Received through the acquisition of controlled entities	Sales	Held at 30 June 2006
Directors						
M Kiernan	-	-	-	-	-	-
C Ellison	-	-	-	54,146,870	-	54,146,870
P Wade	-	-	-	9,740,792	-	9,740,792
J Ricciardo	-	-	-	-	-	-
Executives						
B Goulds	-	-	-	-	-	-
S Wyatt	-	-	-	21,277,030	-	21,277,030
B Gavranich	-	-	-	15,614,997	-	15,614,997
D Geraghty	-	-	-	1,400,387	-	1,400,387

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

	Consolidated \$	Parent Entity \$
Note 21: Auditor's remuneration		
Amounts received or due and receivable by RSM Bird Cameron Partners for:		
- audit of the financial statements	60,000	8,000
- Investigating Accountants Report - IPO	120,000	120,000
- other services	7,140	7,140

Note 22: Earnings per share

The following reflects the income and share data used in the calculations of basic and diluted earnings per share:

Net loss attributable to ordinary shareholders of the parent entity used in calculating basic and diluted earnings per share	(496)	(496)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	3,425,950	3,425,950
Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share	3,425,950	3,425,950
Basic earnings per share (cents per share)	-	-
Diluted earnings per share (cents per share)	-	-

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

Note 23: Related Party Transactions and Balances

Related Party Transactions

On 26 June 2006, Mineral Resources Limited entered into agreements to purchase the entire share capital of PIHA Pty Ltd, Crushing Services International Pty Ltd and Process Minerals International Pty Ltd from entities related to directors and key management personnel. The consideration for the purchase was fully paid ordinary share in Mineral Resources Limited. No cash consideration was included in the transaction.

Shares issued in Mineral Resources Limited to entities related to directors in satisfaction of the purchase are as follows:

Selling Party	Related Director / Manager	Number of fully paid shares issued in consideration of sale
Director related entities		
Sandini Pty Ltd	C. Ellison	54,146,870
PD Wade	P. Wade	9,740,792
Key management employee related entities		
Keneric Nominees Pty Ltd	B. Gavranich	15,614,997
Henderson Park Pty Ltd	S. Wyatt	21,277,030
D&C Geraghty Pty Ltd	D. Geraghty	1,400,387

Related Party Balances

	Associated Director	Balance at 30 June 2006
Receivable by the Consolidated Entity		
Wellard Properties Pty Ltd	P Wade, C Ellison	3,752
P. Wade		120
Payable by the Consolidated Entity		
Plastic Technology Development Unit Trust	P Wade, C Ellison	47,333
Crushing Services International Unit Trust	P Wade, C Ellison	1,789,389
World Wide Infrastructure Pty Ltd	P Wade, C Ellison	1,739,975
Sandini Pty Ltd	C Ellison	12,609

Balances outstanding at 30 June 2006 are unsecured and repayable on demand. Directors have undertaken not to demand repayment within a two (2) year period.

Note 24: Non-director related parties

Transactions with wholly owned subsidiaries that are not on normal terms and conditions are disclosed in the financial report. All other transactions with non-director related parties are on normal terms and conditions.

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

Note 25: Financial instruments

Exposure to credit, interest rate and currently risks arises in the normal course of the consolidated entity's business.

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.

Interest rate risk

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

Consolidated 2006	Effective Interest Rate	Total	Floating Interest Rate	1 year or less	Over 1 year to 5 years
Cash and cash equivalents	4.10%	1,234,271	1,234,271	-	-
Interest bearing liabilities – current*	7.03%	11,543,118	-	11,543,118	-
Interest bearing liabilities – non current*	6.70%	23,237,790	-	-	23,237,790
Bank overdrafts	11.70%	2,491,277	2,491,277	-	-
Parent Entity 2006					
Cash and cash equivalents	-	-	-	-	-
Interest bearing liabilities - current	-	-	-	-	-
Interest bearing liabilities – non current	-	-	-	-	-
Bank overdrafts	-	-	-	-	-

* These assets / liabilities bear interest at a fixed rate

Fair Values

	Consolidated		Parent entity	
	Carrying amount 2006	Fair value 2006	Carrying amount 2006	Fair value 2006
Trade and other receivables	20,488,814	20,488,814	-	-
Cash and cash equivalents	(1,257,006)	(1,257,006)	-	-
Interest bearing liabilities - current	11,543,118	11,543,118	-	-
Interest bearing liabilities – non current	23,237,790	23,237,790	-	-
Trade and other payables	25,544,816	25,544,816	213,339	213,339

Notes to the Financial Statements (continued)

For the period 27 February 2006, the date of incorporation, to 30 June 2006

Note 25: Financial instruments (Continued)

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.

Note 26: Subsequent Events

On 5 July 2006, the Company issued a prospectus for the issue of 25,000,000 shares at \$0.90 per share. The Company's prospectus for the issue of 25,000,000 shares at \$0.90 per share closed on 19 July 2006, fully subscribed.

Note 27: 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	Parent Entity
	\$	\$
Bank guarantees facility	4,660,000	-
Amount utilised	(3,651,963)	-
Unused guarantee limit	1,008,037	-

Note 28: Explanation of transition to AIFRS

As stated in Note 1, this is the consolidated entity's first annual financial report prepared in accordance with Australian Accounting Standards – AIFRS.

As the parent entity was incorporated on 27 February 2006, AGAAP financial statements were not previously prepared by it and an explanation of how the transition from previous Australian GAAP to AIFRS, has affected the consolidated entity's financial position, financial performance and cash flows, is not required.

Directors' Declaration

1. In the opinion of the directors of Mineral Resources Limited ("Company")
 - (a) the financial statements and notes are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2006 and of their performance, as represented by the results of their operations and their cash flows, for the period 27 February 2006 to 30 June 2006; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
 - (b) there are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable.
2. The Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the Company for the financial period have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial period comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.

This declaration is made in accordance with a resolution of the Board of directors and is signed for and on behalf of the directors by:



Peter Wade

Managing Director

Dated this 27th day of September 2006

Independent Audit Report

RSM Bird Cameron Partners
Chartered Accountants

8 St Georges Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
Telephone: +61 8 9261 9100
Facsimile: +61 8 9261 9101
www.rsmi.com.au

Independent Audit Report To The Members Of Mineral Resources Limited

Scope

The financial report, remuneration disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements and the directors' declaration for both Mineral Resources Limited (the company) and Mineral Resources Limited and its controlled entities (the consolidated entity), for the period 27 February 2006 to 30 June 2006. The consolidated entity comprises both the company and the entities it controlled during that period.

The company has disclosed information about the remuneration of key management personnel (remuneration disclosures) as required by Accounting Standards AASB 124 Related Party Disclosures (AASB 124), under the heading "remuneration report" on page 16 of the directors' report, as permitted by the Corporations Regulations 2001.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the remuneration disclosures contained in the directors' report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement and the remuneration disclosures comply with AASB 124 and the Corporations Regulations 2001. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position and of their performance as represented by the results of their operations, changes in equity and cash flows. We also performed procedures to assess whether the remuneration disclosures comply with AASB 124 and the Corporations Regulations 2001.

Liability limited by a
scheme approved under
Professional Standards
Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is an independent
member firm of RSM International, an affiliation
of independent accounting and
consulting firms.



Independent Audit Report (continued)

RSM Bird Cameron Partners

Chartered Accountants

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report and remuneration disclosures; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion,

- (a) the financial report of Mineral Resources Limited:
- gives a true and fair view, as required by the Corporations Act 2001 in Australia, of the financial position of the company and the consolidated entity as at 30 June 2006 and of their performance for the period 27 February 2006 to 30 June 2006; and
 - is presented in accordance with the Corporations Act 2001, Accounting Standards and other mandatory financial reporting requirements in Australia and the Corporations Regulations 2001.
- (b) the remuneration disclosures that are contained on page 16 of the directors' report comply with AASB 124 and the Corporations Regulations 2001.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

S C Cubitt

S C CUBITT
Partner

Perth, WA
Dated: 27th September 2006

Liability limited by a
scheme approved under
Professional Standards
Legislation

Major Offices in:
Perth, Sydney, Melbourne,
Adelaide and Canberra
ABN 36 965 185 036

RSM Bird Cameron Partners is an independent
member firm of RSM International, an affiliation
of independent accounting and
consulting firms.



This page intentionally left blank

This page intentionally left blank





www.mineralresources.com.au

Mineral Resources Limited

25 Wellard Street
BIBRA LAKE WA 6163

Telephone: +61 8 9434 4922
Facsimile: +61 8 9434 4955