



Mineral Resources Limited

ABN 33 118 549 910

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21 August 2008

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

Preliminary Final Year Report and Annual Financial Report for the year ended 30 June 2008

The directors of Mineral Resources Limited (Company) (ASX:MIN) are pleased to present the third Annual Financial Report to the markets.

This has been a highly successful and profitable year for the Company with results significantly ahead of targetted figures reflecting positive growth across all sectors of the business. The Directors are pleased to report a net profit of \$47.095 million, a 134% increase over the group consolidated result for 2006/07.

| Net profit after tax | \$AUD millions | 2007/08 % improvement |
|-----------------------------|---------------------------|--------------------------------------|
| | | |
| Net profit 2007/08 | 47.1 | |
| | | |
| Net profit 2006/07 | 20.2 | +134% |

In accordance with the company's dividend policy of distributing a minimum of 50% of the net after tax profit, the Directors have declared today a fully franked final dividend for the 2007/08 year of 13.35 cents per share, payable on 18 November, 2008 for all shareholders of record at 21 September, 2008 giving a total dividend for the year of 19.35 cents per share.

The group earnings per share was 38.7 cents which is an increase of 129% over the prior year results.

Mineral Resources reports its business results as a consolidated mining services and processing group operating within the resources segment of the Australian economy.



Mineral Resources Limited

The substantially increased performance reflects the strong mining services and minerals market for steelmaking materials providing a continuation of organic growth in performance from our BOO crushing and processing operations.

The outlook in the Mineral Resources business segment continues to be very positive with the resources markets in steel making minerals, specifically iron ore and manganese, growing strongly in demand and pricing which reflects the supply/demand equation. This market outlook is expected to continue through 2009 as a result of demand from China and the other developing Asian and sub continent economies although restrained demand is anticipated in the USA and Europe. Mineral Resources will continue to develop its crushing and processing operations around commodities that are supply constrained.

The strength of the resource sector, and the expansive demand for iron ore and base metals, translates into project expansion for existing clients which present new contract opportunities for the Company and well defined organic growth prospects. The pipeline of opportunities for projects extends across all of the mining, resource and infrastructure sectors within which Mineral Resources operates.

These opportunities are expanded by the strong cash flow position of the Group which minimises the impact of the current credit limitations on Mineral Resources and its growth aspirations. Mineral Resources has the ability to bring on stream BOO processing operations that minimise capital requirements for its clients and facilitates the timely commencement of production to meet current high mineral prices.

Minerals Resources has also recently announced to the market a collaborative agreement for the development of additional manganese production under a 7 year contract with options for extensions which, together with the organic growth of existing business operations, will underpin the growth of the business in the following years.

The Company will provide earnings guidance to the markets on an ongoing basis in accordance with its continuous disclosure obligations.

Yours Sincerely,

Peter Wade
Executive Chairman / Managing Director

MINERAL RESOURCES LIMITED AND ITS CONTROLLED ENTITIES

ABN 33 118 549 910

Appendix 4E – Preliminary Final Report

FOR THE YEAR ENDED 30 JUNE 2008

| RESULTS FOR ANNOUNCEMENT TO THE MARKET | | | | \$AUD'000 |
|---|----|--------|----|----------------|
| Revenue from ordinary activities | Up | 64.5% | to | 244,975 |
| Profit from ordinary activities after tax attributable to members | Up | 133.5% | to | 47,095 |
| Net profit for the year attributable to members | Up | 133.5% | to | 47,095 |

DIVIDENDS

| | Amount per Security | Franked amount (per security) |
|--|---------------------|-------------------------------|
| Final Dividend for 2006/07 | 6.3 cents | 100% |
| Interim Dividend 2007/08 | 6.0 cents | 100% |
| Final Dividend 2007/08 (declared) | 13.35 cents | 100% |
| Previous corresponding period | | |
| Initial Interim Dividend for 2006/07 | 1.2 cents | 100% |
| Interim Dividend for 2006/07 | 2.0 cents | 100% |
| Record date for determining entitlements to the final dividend | 21 September 2008 | |
| Date the final dividend is payable | 18 November 2008 | |

The company does not have a dividend investment plan in place.

| | Current period | Previous corresponding period |
|--|----------------|-------------------------------|
| Net tangible asset backing per share (cents per share) | 86.84 | 54.85 |

The 30 June 2008 Annual Financial Report dated 20 August 2008 form part of and should be read in conjunction with this Preliminary Final Report (Appendix 4E).

This report is based on financial statements that have been audited. The audit report is included in the 30 June 2008 Annual Financial Report.

MINERAL RESOURCES LIMITED
ABN 33 118 549 910

ANNUAL FINANCIAL REPORT 2008

**MINERAL RESOURCES LIMITED – ABN 33 118 549 910
and Controlled Entities**

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Calendar

| | |
|------------------------|-------------------|
| Final dividend:- | |
| - Ex dividend date | 14 September 2008 |
| - Record date | 21 September 2008 |
| - Payment date | 18 November 2008 |
| Annual General Meeting | 18 November 2008 |

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| DIRECTOR'S REPORT |
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The directors present their report together with the financial statements of Mineral Resources Limited and of the consolidated entity, being the company and its subsidiaries for the period 1 July 2007 to 30 June 2008 and the independent audit thereon.

Directors

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

Peter Wade

Executive chairman and managing director (age 58)

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.

Joe Ricciardo

Independent non-executive director (age 53)

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.

Joe is currently the Managing Director of GR Engineering Services.

Chris Ellison

Executive director (age 51)

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.

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| DIRECTOR'S REPORT |
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Mark Dutton

Executive director (age 40)
Appointed 8 November 2007

Mark has 12 years experience acting as a non-executive director of a range of growth businesses across Europe, Asia and Australia. He started his career at Price Waterhouse in England in 1991 where he qualified as a chartered accountant, subsequently working in Moscow in their Corporate Finance division.

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

In 2003, he joined Foundation Capital in Perth to manage their later-stage investment fund. He is presently a director of Banksia Capital a WA-focussed private equity manager and an adviser to Navis Capital who manage US\$1.5 billion in private equity targeted for investment across the Asia Pacific region.

Michael Kiernan

Independent non-executive chairman (age 58)
Appointed 26 June 2006, Resigned 12 May 2008

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.

During the three years proceeding this report Mr Kiernan has been a director of Monarch Gold Mining Company Limited, India Resources Limited, Territory Resources Limited, Precious Metals Australia Limited, and Consolidated Minerals Limited.

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' 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 | | Other Committee Meetings | |
|----------------------------------|---------------------|----------|--------------------------|----------|--------------------------|----------|
| | Held | Attended | Held | Attended | Held | Attended |
| P Wade | 10 | 10 | 2 | 2 | 1 | 1 |
| J Ricciardo | 10 | 10 | 2 | 2 | 1 | 1 |
| M Dutton | 6 | 6 | 2 | 2 | * | * |
| C Ellison | 10 | 10 | * | * | * | * |
| M Kiernan (resigned 12 May 2008) | 8 | 7 | * | * | 1 | 1 |

* - Not a member of the relevant committee

DIRECTOR'S REPORT

Principal activities

The principal activity of the consolidated entity is as an integrated supplier 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 2008 year has been characterised by significant growth by Mineral Resources across all areas of the business and the finalisation of the consolidation and integration of the three operating elements into a single integrated mining services company. The performance and reputation of the company is recognised as being of world class stature with brand recognition leading to extensive contractor of choice opportunities in construction, BOO contracting and minerals processing developments. The Board and Management have established a strong and effective working partnership and the solid financial results are a testimony to the skills and commitment of the whole corporate team.

The resource sector has continued to expand strongly, particularly in the steel making minerals sector, and the company has proven its capacity to work with and add value to the clients it services. This value adding capacity has been recognised by the successful award of contract extensions on gold and iron ore contract crushing operations. It has also directly led to the successful award of the significant BOO contract for the crushing, milling and processing of the vanadium operation for Windimurra.

The consolidated entity recorded a net profit after income tax of \$47.095 million for the full year ended 30th June, 2008. That is a record performance based upon a record revenue of \$245 million.

The year end result is an increase of 134% over the actual aggregated result for financial year 2007 as presented in the 2007 annual report and is reported after the expensing of over \$ 5 million of share based payments in accordance with AASB2, Share Based Payments.

That is an outstanding result and reflects the solid performance of all parts of the company and in particular, the marked improvement in the manganese and iron ore prices over the past 12 months. The pricing of manganese for export is not transparent and not subject to LME or annual contract negotiation exposure as exists for iron ore and a range of base metal prices. Accordingly, it is not possible to provide a soundly based projection of manganese pricing for the next 12 months although market indications are for a continuing strong demand through calendar 2008.

The overall focus of the business has been, and remains, to establish long term sustainable business operations that can grow across business cycles. In that regard, the business focus on safety, recruitment and retention, and development of personnel are critical elements in creating a culture of performance that will drive the continued success of the company.

The financial performance of the contracting, crushing and processing operations has substantially exceeded budget targets and reflects the significant acceptance of Mineral Resources as a proven services provider across the resource and infrastructure sectors. The supply growth across the resource industry, and the role of China in continued demand for Australian minerals, provides the key drivers for continued profitability and reputation growth for Mineral Resources. Those drivers underpin the demand for steel making materials from Australia and Mineral Resources is well placed to assist in directly and indirectly fulfilling that demand requirement.

The company is operating across a diverse range of sites and products with a range of blue chip clients and is exposed to the market volatility arising from global credit stress and cost inflation pressures that are impacting the industry. In the export of our processed minerals, the strength of the AUD and the increased shipping costs are the prime impacts on increased profitability while across all of our operations, skills shortages and materials availability and cost increases impact our results. The major focus of management is to implement effective cost control mechanisms in all of our business operations and, over the past 12 months, that has been successfully achieved. The Board is confident that management has in place effective policies and procedures that will continue to provide the base for increased profitability and growth in market share.

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| DIRECTOR'S REPORT |
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Significantly, the business has had an exceptional year in the management of cash flow and optimisation of capital expenditure to the extent that the company remains nett cash positive in an environment where 'cash is king'. The Company is well placed with proven performance, an outstanding reputation and a strengthening balance sheet to pursue even larger contracting and processing operations that will maintain the growth trajectory over the next few years. The Directors commend the management and staff for their commitment and performance over the past year.

Significant changes in the state of affairs

There were no other 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 Paid or Recommended

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

- Final Ordinary Dividend for 2006/07 of 6.3 cents per share, franked at a tax rate of 30%, paid on 15 November 2007 amounting to \$7,671,174;
- Interim Ordinary Dividend for 2007/08 of 6.0 cents per share, franked at a tax rate of 30%, paid on 4 April 2008 amounting to \$7,326,046; and
- Final Ordinary Dividend for 2007/08 of 13.35 cents per share, franked at a tax rate of 30%, has been recommended by Directors amounting to \$16,263,577.

Events subsequent to reporting date

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

Environmental Issues

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

Likely developments

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

Non-audit services

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

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

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

Auditor's Independence Declaration

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

Remuneration Report

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

Remuneration of non-executive directors

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

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

Remuneration of executives

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

DIRECTOR'S REPORT

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 September 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.

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

| | Duration | Completion Date | Notice Period |
|--|----------|------------------|---------------|
| Directors | | | |
| Non-executive Directors | | | |
| J Ricciardo | 3 years | 25 June 2009 | n/a |
| M Dutton | 3 years | 7 November 2010 | n/a |
| M Kiernan (resigned 12 May 2008) - Chairman | n/a | 12 May 2008 | n/a |
| Executive Directors | | | |
| P Wade - Managing Director | 3 years | 1 September 2008 | 6 months |
| C Ellison - Business Development | 3 years | 1 July 2009 | 6 months |
| Executives | | | |
| S Wyatt - General Manager, CSI | 3 years | 1 July 2009 | 6 months |
| B Gavranich - General Manager, PIHA | 3 years | 1 July 2009 | 6 months |
| D Geraghty - Technical Director, PMI | 3 years | 1 July 2009 | 6 months |
| B Goulds - Chief Financial Officer | 3 years | 1 July 2009 | 6 months |

**MINERAL RESOURCES LIMITED – ABN 33 118 549 910
and Controlled Entities**

DIRECTOR'S REPORT

Details and amounts of remuneration

| 2008 | Short-term Benefits | | Post Employment Benefits | Long-term Benefits | | Total |
|------------------|------------------------------------|--------------------------|--------------------------------|----------------------|----------------|------------------|
| | Cash, salary and commissions | Non- cash benefits | Superannuation | Share-based Payments | | |
| | | | | Equity | Options | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| <u>Directors</u> | | | | | | |
| P.Wade | 323,846 | 48,020 | 104,953 | - | - | 476,819 |
| J.Ricciardo | 93,462 | - | 8,411 | - | 134,094 | 235,967 |
| C.Ellison | 323,845 | 44,370 | 29,146 | - | - | 397,361 |
| M.Dutton | 59,523 | - | 5,358 | - | - | 64,881 |
| M.Kiernan* | 136,154 | - | 12,254 | 1,115,833 | 67,155 | 1,331,396 |
| | <u>936,830</u> | <u>92,390</u> | <u>160,122</u> | <u>1,115,833</u> | <u>201,249</u> | <u>2,506,424</u> |

*resigned 12 May
2008

Key management personnel

| | | | | | | |
|-------------|------------------|---------------|----------------|----------|----------------|------------------|
| B.Gavranich | 323,846 | 23,689 | 29,146 | - | - | 376,681 |
| S.Wyatt | 323,846 | 38,712 | 29,146 | - | - | 391,704 |
| D.Geraghty | 206,500 | 24,712 | 31,509 | - | 451,941 | 714,662 |
| B.Goulds | 166,914 | 12,696 | 33,300 | - | 67,047 | 279,957 |
| | <u>1,021,106</u> | <u>99,809</u> | <u>123,101</u> | <u>-</u> | <u>518,988</u> | <u>1,763,004</u> |

| 2007 | Short-term Benefits | | Post Employment Benefits | Long-term Benefits | | Total |
|------------------|------------------------------------|--------------------------|--------------------------------|----------------------|----------------|------------------|
| | Cash, salary and commissions | Non- cash benefits | Superannuation | Share-based Payments | | |
| | | | | Equity | Options | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| <u>Directors</u> | | | | | | |
| P.Wade | 299,984 | 47,598 | 50,000 | - | - | 397,582 |
| J.Ricciardo | 79,615 | - | 7,165 | - | 163,010 | 249,790 |
| C.Ellison | 289,615 | 15,377 | 22,846 | - | - | 327,838 |
| M.Dutton | - | - | - | - | - | - |
| M.Kiernan* | 132,692 | - | 11,942 | 1,187,083 | 163,010 | 1,494,727 |
| | <u>801,906</u> | <u>62,975</u> | <u>91,953</u> | <u>1,187,083</u> | <u>326,020</u> | <u>2,469,937</u> |

*resigned 12
May 2008

Key management personnel

| | | | | | | |
|-------------|----------------|---------------|----------------|----------|---------------|------------------|
| B.Gavranich | 299,999 | 23,688 | 26,550 | - | - | 350,237 |
| S.Wyatt | 294,229 | 25,637 | 26,481 | - | - | 346,347 |
| D.Geraghty | 192,898 | 22,372 | 32,186 | - | - | 247,456 |
| B.Goulds | 147,590 | 6,982 | 18,385 | - | 81,504 | 254,461 |
| | <u>934,716</u> | <u>78,679</u> | <u>103,602</u> | <u>-</u> | <u>81,504</u> | <u>1,198,501</u> |

**MINERAL RESOURCES LIMITED – ABN 33 118 549 910
and Controlled Entities**

DIRECTOR'S REPORT

Options granted as remuneration

The following options over ordinary shares were granted to David Geraghty, Technical Director PMI, during the current period.

| | Number Granted | Grant date | Exercise Price \$ | First Exercise Date | Last Exercise Date |
|-----------|---------------------------|-------------------|----------------------------------|------------------------------------|-----------------------------------|
| Tranche 1 | 200,000 | 1 June 2007 | 1.80 | 15 Jan 2008 | 14 Jan 2011 |
| Tranche 2 | 200,000 | 1 June 2007 | 1.90 | 15 Jan 2009 | 14 Jan 2012 |
| Tranche 3 | 200,000 | 1 June 2007 | 2.00 | 15 Jan 2010 | 14 Jan 2013 |
| | | | | | |

All options expire after 3 years of issue.

All options were granted for nil consideration.

Other conditions of options are disclosed in the notes to the financial statements.

Directors' relevant interests

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

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

| Director | No of Ordinary Shares | No of Options over Ordinary Shares |
|-------------------------------------|----------------------------------|---|
| P Wade | 6,116,162 | - |
| J Ricciardo | 555,750 | 1,000,000 |
| M Dutton | - | - |
| C Ellison | 44,062,815 | - |
| M Kiernan (resigned 12 May 2008) | - | - |

Indemnifying Officers or Auditor

During or since the end of the financial year the company has paid premiums to insure all directors and executives against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The total amount of the premium was \$25,865. Otherwise, the Company has not given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums on behalf of directors, executives and auditors.

Neither the Company nor any related entity has indemnified or agreed to indemnify, paid or agreed to pay any insurance premium which would be prohibited under Section 199A or Section 199B of the Corporations Act 2001 during or since the financial period ended 30 June 2008.

Proceedings on Behalf of Company

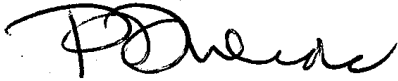
No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings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

DIRECTOR'S REPORT

Rounding of Amounts

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

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



PETER WADE
Executive Chairman / Managing Director

Dated this 20th day of August 2008

RSM Bird Cameron Partners

Chartered Accountants

8 St Georges Terrace Perth WA 6000
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T +61 8 9261 9100 F +61 8 9261 9111
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AUDITOR INDEPENDENCE DECLARATION

I declare that, to the best of my knowledge and belief, in relation to the audit of the financial statements of Mineral Resources Limited for the financial year ended 30 June 2008 there have been no contraventions of:

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

Perth, WA

Dated:

20 August 2008

RSM Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants

SC Cubitt
S C CUBITT
Partner

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

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

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

The ASX Corporate Governance Council released the second edition of its "Principles of Good Corporate Governance and Best Practice Recommendations" ("Recommendations") in August 2007. The directors of Mineral Resources Limited support the thrust of the Recommendations and whilst the Recommendations are not prescriptive, the ASX Listing Rules require listed companies to identify those recommendations that have not been followed and the reasons for not following them.

Unless disclosed below, all Recommendations have been applied for the entire financial year ended 30 June 2008.

Statement of Non-Compliance with Recommendations

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

Recommendation 2.1 The majority of the board should be independent directors.

As at the date of this report, the Company has four directors, two of which are considered to be independent. A third independent director resigned on 12 May 2008. An additional independent director will be appointed to the board when a suitable candidate is identified.

Recommendation 2.2 The chair should be an independent director.

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

From 12 May 2008, the Chairman of the Company, Peter Wade, also holds the position of Managing Director and is considered not to be independent. This change to the board structure was made after due consideration to the strategy of the Company and the board considers Mr Wade the best person to lead the company from the combined position at this time.

Board of directors

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

The Board is comprised of two (2) non-executive directors and two 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."

CORPORATE GOVERNANCE STATEMENT

Messrs Ricciardo and Dutton 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 operational and financial performance of Mineral Resources Limited.

Board committees

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

The Audit Committee, consisting of two (2) non-executive directors and one (1) executive director, reviews the effectiveness of the risk management and other internal controls, the reliability of financial information and the effectiveness of the external audit function. To assist in this function the committee may invite the external auditor and senior executives to report to meetings. Any significant non-audit services to be provided by the external auditors must be approved in advance by the Audit Committee. The Audit Committee considers that the provision of those non-audit services provided to date by the external auditor would not affect the auditor's independence.

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

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

Share trading guidelines

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

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

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

| |
|---------------------------------------|
| CORPORATE GOVERNANCE STATEMENT |
|---------------------------------------|

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.

**MINERAL RESOURCES LIMITED – ABN 33 118 549 910
and Controlled Entities**

INCOME STATEMENT

For the year to 30 June 2008

| | Note | Consolidated | | Parent | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Revenue | | | | | |
| Revenue from continuing operations | 3 | 238,115 | 146,740 | - | - |
| Other income | 3 | 6,860 | 2,106 | 21,017 | 8,418 |
| | | <u>244,975</u> | <u>148,846</u> | <u>21,017</u> | <u>8,418</u> |
| Changes in closing stock | | (8,986) | (422) | - | - |
| Depreciation and amortisation | | 19,614 | 10,741 | - | - |
| Employee benefit expenses | | | | | |
| . Share based payments | | 5,177 | 1,174 | 1,538 | 1,174 |
| . Other employee benefits | | 34,696 | 29,210 | 1,641 | 1,737 |
| Equipment costs | | 20,122 | 17,409 | - | - |
| Finance costs | | 2,208 | 2,351 | 3 | 7 |
| Impairment loss | | 1,025 | - | 1,025 | - |
| Raw materials and consumables | | 30,710 | 18,576 | - | - |
| Subcontractors | | 14,812 | 8,210 | - | - |
| Transport and freight | | 47,337 | 23,996 | - | - |
| Other expenses | | 11,245 | 12,014 | 1,717 | 639 |
| | 4 | <u>177,960</u> | <u>123,259</u> | <u>5,914</u> | <u>3,557</u> |
| Profit before income tax expense | | 67,015 | 25,587 | 15,103 | 4,861 |
| Income tax expense | 5 | (19,920) | (5,420) | (182) | (555) |
| | | <u>47,095</u> | <u>20,167</u> | <u>14,921</u> | <u>4,306</u> |
| Profit after income tax expense | | | | | |
| Basic earnings per share (cents per share) | 29 | 38.7 | 16.9 | | |
| Diluted earnings per share (cents per share) | 29 | 38.3 | 16.9 | | |

The accompanying notes form an integral part of the Income Statement

**MINERAL RESOURCES LIMITED – ABN 33 118 549 910
and Controlled Entities**

BALANCE SHEET

As at 30 June 2008

| | Note | Consolidated | | Parent | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Current assets | | | | | |
| Cash and cash equivalents | 6 | 49,577 | 19,461 | 2,184 | 9,691 |
| Trade and other receivables | 7 | 19,378 | 24,090 | 34,022 | 7,781 |
| Inventories | 8 | 14,252 | 4,843 | - | - |
| Financial Assets | 10 | 605 | - | - | - |
| Other assets | 9 | 516 | 346 | 2 | - |
| Total current assets | | 84,328 | 48,740 | 36,208 | 17,472 |
| Non current assets | | | | | |
| Trade and other receivables | 7 | 1,539 | 5,577 | - | - |
| Investment in subsidiaries | | - | - | 47,372 | 43,732 |
| Investments accounted using the equity method | 11 | 189 | 121 | - | - |
| Financial assets | 10 | 2,555 | 78 | 2,555 | - |
| Plant and equipment | 12 | 120,353 | 89,318 | - | - |
| Intangible assets | 13 | 10,235 | 10,235 | - | - |
| Deferred tax assets | 14 | 4,442 | 3,660 | 975 | 678 |
| Total non current assets | | 139,313 | 108,989 | 50,902 | 44,410 |
| Total assets | | 223,641 | 157,729 | 87,110 | 61,882 |
| Current liabilities | | | | | |
| Trade and other payables | 15 | 39,007 | 21,529 | 20,831 | 2,429 |
| Finance lease liabilities | 16 | 11,355 | 10,325 | - | - |
| Secured loans | | - | 1,650 | - | - |
| Income tax payable | | 16,068 | 2,991 | 479 | 749 |
| Provisions | 17 | 7,719 | 6,553 | 1,261 | 971 |
| Total current liabilities | | 74,149 | 43,048 | 22,571 | 4,149 |
| Non current liabilities | | | | | |
| Trade and other payables | 15 | 15 | 8,428 | - | - |
| Finance lease liabilities | 16 | 16,766 | 16,341 | - | - |
| Deferred tax liabilities | 14 | 13,385 | 14,252 | - | - |
| Provisions | 17 | 3,304 | - | - | - |
| Total non current liabilities | | 33,470 | 39,021 | - | - |
| Total liabilities | | 107,619 | 82,069 | 22,571 | 4,149 |
| Net assets | | 116,022 | 75,660 | 64,539 | 57,733 |
| Equity | | | | | |
| Issued capital | 18 | 64,161 | 57,278 | 64,161 | 57,278 |
| Reserves | 19 | 3,448 | 2,066 | - | - |
| Retained earnings | | 48,413 | 16,316 | 378 | 455 |
| Total equity | | 116,022 | 75,660 | 64,539 | 57,733 |

The accompanying notes form an integral part of the Balance Sheet

**MINERAL RESOURCES LIMITED – ABN 33 118 549 910
and Controlled Entities**

STATEMENT OF CHANGES IN EQUITY

For the year to 30 June 2008

| Consolidated 2008 | Share Capital \$'000 | Retained Earnings \$'000 | Reserves \$'000 | Total \$'000 |
|---|-------------------------------------|---|----------------------------|-------------------------|
| Balance at 1 July 2007 | 57,278 | 16,316 | 2,066 | 75,660 |
| Net proceeds of share issues from exercise of options | 1,706 | - | - | 1,706 |
| Share based payments | 5,177 | - | - | 5,177 |
| Dividends paid | - | (14,998) | - | (14,998) |
| Revaluation increment | - | - | 504 | 504 |
| Deferred tax asset | - | - | 878 | 878 |
| Net profit | - | 47,095 | - | 47,095 |
| Balance at 30 June 2008 | 64,161 | 48,413 | 3,448 | 116,022 |

Parent Entity 2008

| | | | | |
|---|--------|----------|---|----------|
| Balance at 1 July 2007 | 57,278 | 455 | - | 57,733 |
| Net proceeds of share issues from exercise of options | 1,706 | - | - | 1,706 |
| Share based payments | 5,177 | - | - | 5,177 |
| Dividends paid | - | (14,998) | - | (14,998) |
| Net profit | - | 14,921 | - | 14,921 |
| Balance at 30 June 2008 | 64,161 | 378 | - | 64,539 |

Consolidated 2007

| | Share Capital \$'000 | Retained Earnings \$'000 | Reserves \$'000 | Total \$'000 |
|---------------------------------------|-------------------------------------|---|----------------------------|-------------------------|
| Balance at 1 July 2006 | 43,732 | - | - | 43,732 |
| Net proceeds of share issues from IPO | 13,500 | - | - | 13,500 |
| Share issue costs (net of income tax) | (1,128) | - | - | (1,128) |
| Share based payments | 1,174 | - | - | 1,174 |
| Dividends paid | - | (3,851) | - | (3,851) |
| Revaluation increment | - | - | 1,481 | 1,481 |
| Deferred tax asset | - | - | 585 | 585 |
| Net profit | - | 20,167 | - | 20,167 |
| Balance at 30 June 2007 | 57,278 | 16,316 | 2,066 | 75,660 |

Parent Entity 2007

| | | | | |
|---------------------------------------|---------|---------|---|---------|
| Balance at 1 July 2006 | 43,732 | - | - | 43,732 |
| Net proceeds of share issues from IPO | 13,500 | - | - | 13,500 |
| Share issue costs (net of income tax) | (1,128) | - | - | (1,128) |
| Share based payments | 1,174 | - | - | 1,174 |
| Dividends paid | - | (3,851) | - | (3,851) |
| Net profit | - | 4,306 | - | 4,306 |
| Balance at 30 June 2007 | 57,278 | 455 | - | 57,733 |

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

**MINERAL RESOURCES LIMITED – ABN 33 118 549 910
and Controlled Entities**

CASH FLOW STATEMENT

For the year to 30 June 2008

| | Note | Consolidated | | Parent | |
|--|-------|----------------|----------------|----------------|----------------|
| | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Cash flows from operating activities | | | | | |
| Cash receipts from customers | | 250,823 | 138,053 | 3,894 | - |
| Cash payments to suppliers and employees | | (145,980) | (104,607) | (3,279) | (3,066) |
| Interest received | | 1,754 | 804 | 602 | 539 |
| Interest and other costs of finance paid | | (2,208) | (2,351) | (3) | (7) |
| Income taxes paid | | (7,613) | (1,794) | (749) | - |
| Net cash flows from operating activities | 20(b) | 96,786 | 30,105 | 465 | (2,534) |
| Cash flows from investing activities | | | | | |
| Payments for property, plant and equipment | | (38,376) | (7,945) | - | - |
| Proceeds from the sale of fixed assets | | 591 | 1,652 | - | - |
| Payments for available for sale investments | | (4,057) | - | (4,057) | - |
| Proceeds on disposal of available for sale investments | | 707 | - | 707 | - |
| Dividends received | | - | - | 16,031 | 4,187 |
| Net cash flows from investing activities | | (41,135) | (6,293) | 12,681 | 4,187 |
| Cash flows from financing activities | | | | | |
| Proceeds from share issue | | - | 13,500 | - | 13,500 |
| Proceeds from exercise of share options | | 1,706 | - | 1,706 | - |
| Costs of share issue | | - | (1,611) | - | (1,611) |
| Proceeds from borrowings | | - | 1,150 | - | - |
| Repayment of borrowings | | (12,244) | (12,282) | - | - |
| Financing of related entities | | - | - | (7,362) | - |
| Dividends paid | | (14,997) | (3,851) | (14,997) | (3,851) |
| Net cash flows from financing activities | | (25,535) | (3,094) | (20,653) | 8,038 |
| Net increase in cash and cash equivalents | | 30,116 | 20,718 | (7,507) | 9,691 |
| Cash and cash equivalents at the beginning of the financial period | | 19,461 | (1,257) | 9,691 | - |
| Cash and cash equivalents at the end of the financial period | 20(a) | 49,577 | 19,461 | 2,184 | 9,691 |

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

NOTES TO THE FINANCIAL STATEMENTS

For the year to 30 June 2008

Note 1: Significant accounting policies

This financial report includes the consolidated financial statements and notes of Mineral Resources Limited and controlled entities ("Consolidated Entity"), and the separate financial statements and notes of Mineral Resources Limited as an individual parent entity ('Parent Entity').

The financial report was authorised for issue on 20 August 2008.

(i) Basis of Preparation

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

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

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

(ii) Basis of consolidation

A controlled entity is any entity Mineral Resources Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

NOTES TO THE FINANCIAL STATEMENTS

For the year to 30 June 2008

Note 1: Significant accounting policies (Cont.)

(iii) Income tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that each company in the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(iv) Inventories

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

Construction work in progress

Construction work in progress is 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.

(v) Intangibles

Goodwill

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

NOTES TO THE FINANCIAL STATEMENTS

For the year to 30 June 2008

Note 1: Significant accounting policies (Cont.)

(vi) Revenue recognition

Goods sold

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

Services rendered

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

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

Construction contracts

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

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

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

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

Interest revenue

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

Dividends

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

NOTES TO THE FINANCIAL STATEMENTS

For the year to 30 June 2008

Note 1: Significant accounting policies (Cont.)

(vii) Cash and cash equivalents

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

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

(viii) Plant and equipment

Owned assets

Items of plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of self constructed assets includes the cost of materials, direct labour and an appropriate portion of production overheads. The cost of self constructed and acquired assets includes (i) the initial estimate at the time of installation and during the period of use, when relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and (ii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

Leased assets

Leases in terms of which the consolidated entity assumes substantially all of the risks and rewards of ownership are classified as finance leases. Finance leases are stated at an amount equal to the lower of fair value and the present value of minimum lease payment at inception of the lease, less accumulated depreciation and impairment losses.

Sale of non-current assets

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

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

Subsequent costs

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

Revaluation

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

NOTES TO THE FINANCIAL STATEMENTS

For the year to 30 June 2008

Note 1: Significant accounting policies (Cont.)

Depreciation

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

| <i>Class</i> | <i>Life</i> |
|------------------------------|-------------------------------------|
| Buildings | 20 years |
| Plant and equipment - other | 3-20 years or the term of the lease |
| Tracking plant and equipment | 6 years |

(ix) Impairment

Financial Instruments

At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Other Assets

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

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

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

(x) 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.

(xi) Financial Instruments

Recognition and Initial Measurement

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

NOTES TO THE FINANCIAL STATEMENTS

For the year to 30 June 2008

Note 1: Significant accounting policies (Cont.)

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

Derecognition

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

Classification and Subsequent Measurement

Financial assets at fair value through profit or loss

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

Loans and receivables

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

Financial Liabilities

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

Derivative instruments

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

NOTES TO THE FINANCIAL STATEMENTS

For the year to 30 June 2008

Note 1: Significant accounting policies (Cont.)

Fair value hedge

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

Cash flow hedge

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

Fair value

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

Impairment

At each reporting date, the consolidated entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Trade and other receivables

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

Trade and other payables

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

Interest bearing loans and borrowings

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

Finance costs

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

NOTES TO THE FINANCIAL STATEMENTS

For the year to 30 June 2008

Note 1: Significant accounting policies (Cont.)

Foreign Currency Transactions and Balances

Functional and presentation currency

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

Transaction and balances

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

(xii) 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.

(xiii) Employee benefits

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year to 30 June 2008

Note 1: Significant accounting policies (Cont.)

(xiv) 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.

(xv) Provisions

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

Warranties

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

Project closure

At the completion of some projects the consolidated entity has a liability for redundancy and the cost of relocating crushing and other mobile plant. An assessment is undertaken on the probability that such expenses will be incurred in the normal business of contracting services and is provided for in the financial statements.

Rehabilitation

In accordance with the consolidated entity's legal requirements, provision is made for the anticipated costs of future restoration and rehabilitation of areas from which natural resources have been extracted. The provision includes costs associated with dismantling of assets, reclamation, plant closure, waste site closure, monitoring, demolition and decontamination. The provision is based upon current costs and has been determined on a discounted basis with reference to current legal requirements and current technology.

Each period the impact of the un-wind of discounting is recognised in the income statement as a financing cost. Any change in the restoration provision is recorded against the carrying value of the provision and the related asset, only to the extent that it is probable that future economic benefits associated with the restoration expenditure will flow to the entity, with the effect being recognised in the income statement on a prospective basis over the remaining life of the relevant operation. The restoration provision is separated into current (estimated costs arising within 12 months) and non-current components based on the expected timing of these cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the year to 30 June 2008

Note 1: Significant accounting policies (Cont.)

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.

(xvi) Earnings per share

Basic earnings per share

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

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(xvii) 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.

(xviii) 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

For the year to 30 June 2008

Note 1: Significant accounting policies (Cont.)

(ixx) Comparatives

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

(xx) Rounding of Amounts

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

(xxi) Critical accounting estimates and judgements

Provisions

Refer to note 1 (xv).

Impairment of goodwill and intangibles with indefinite useful lives

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

Impairment of available for sale assets

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

Useful lives of plant and equipment

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

During the year, the estimated useful lives of certain items of plant and equipment were revised. The financial effect of the change in an accounting estimate on the year was an increase in depreciation expense of the consolidated entity of \$3,300,000.

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

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| NOTES TO THE FINANCIAL STATEMENTS |
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For the year to 30 June 2008

Note 2: Statement of operations by segments

Business

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

The directors believe this to be the case for the following reasons:

- The consolidated entity performs services for a common industry sector being the resources sector,
- The consolidated entity operates with a centralized pool of management, engineering, operational labour and administrative and shared services personnel,
- The common use of plant, equipment and consumable inventory,
- Operations are conducted within a single regulatory environment, and
- Common customers exist within the divisions of the integrated business that is exposed to similar operational risks and rewards.

Geographical

Mineral Resources Limited operates in a single secondary reporting segment being Australia.

| Consolidated | | Parent | |
|---------------------|---------------|---------------|---------------|
| 2008 | 2007 | 2008 | 2007 |
| \$'000 | \$'000 | \$'000 | \$'000 |

Note 3: Revenue

Revenue from continuing operations

| | | | | |
|--|---------|---------|--------|-------|
| . Contract and operational revenue | 100,244 | 92,771 | - | - |
| . Sale of goods and equipment | 135,197 | 48,200 | - | - |
| . Equipment rental | 2,674 | 5,769 | - | - |
| | 238,115 | 146,740 | - | - |
| | | | | |
| Other Income | | | | |
| . Interest income | 1,754 | 804 | 602 | 539 |
| . Administration charges | - | 36 | 4,153 | 3,692 |
| . Dividends received | - | - | 16,031 | 4,187 |
| . Profit on sale of fixed assets | 313 | 462 | - | - |
| Profit on sale of shares in listed companies | 230 | - | 230 | - |
| Costs recovered | 3,490 | - | - | - |
| . Other income | 1,073 | 804 | 1 | - |
| | 6,860 | 2,106 | 21,017 | 8,418 |

**MINERAL RESOURCES LIMITED – ABN 33 118 549 910
and Controlled Entities**

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| NOTES TO THE FINANCIAL STATEMENTS |
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For the year to 30 June 2008

| Consolidated | | Parent | |
|---------------------|---------------|---------------|---------------|
| 2008 | 2007 | 2008 | 2007 |
| \$'000 | \$'000 | \$'000 | \$'000 |

Note 4: Profit before income tax

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

| | | | | |
|--|-------|-------|---|---|
| Rental expenses relating to operating leases | 1,767 | 1,034 | - | - |
| Foreign exchange gains and losses | | | | |
| - Net foreign exchange gain | 1,852 | 530 | - | - |
| - Unrealised foreign exchange loss | (840) | (132) | - | - |
| | 1,012 | 398 | - | - |
| Provision for impairment of receivable | 687 | - | - | - |
| Provision for rehabilitation | 3,500 | - | - | - |

**MINERAL RESOURCES LIMITED – ABN 33 118 549 910
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NOTES TO THE FINANCIAL STATEMENTS

For the year to 30 June 2008

| | Consolidated | | Parent | |
|--|---------------------|---------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$'000 | \$'000 | \$'000 | \$'000 |

Note 5: Income tax expense

The components of tax expense comprise:

| | | | | |
|--|---------|-------|-------|-------|
| Current tax | 21,720 | 5,239 | 479 | 1,233 |
| Deferred tax | (1,800) | 1,119 | (297) | (678) |
| Recouped prior year losses | - | (888) | - | - |
| Over provision in respect of prior years | - | (50) | - | - |
| | 19,920 | 5,420 | 182 | 555 |

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

| | | | | |
|---|---------|---------|---------|---------|
| Profit / (loss) before income tax | 67,015 | 25,587 | 15,103 | 4,861 |
| Prima facie tax thereon at 30% | 20,106 | 7,676 | 4,530 | 1,458 |
| Other non allowable items | 42 | 5 | - | - |
| Share based payments not allowable | 1,553 | 352 | 461 | 352 |
| Non-deductible depreciation | 1,029 | 994 | - | - |
| Research and development concessions | (2,809) | (2,670) | - | - |
| Franking credits inter-group dividends | - | - | (6,870) | (1,794) |
| Gross up franked dividend for franking credit | - | - | 2,061 | 539 |
| Tax losses not previously brought to account | - | (888) | - | - |
| Reconciliation of prior year items | - | (49) | - | - |
| Income tax expense attributable to profit | 19,920 | 5,420 | 182 | 555 |

Note 6: Cash and cash equivalents

| | | | | |
|--------------------------|--------|--------|-------|-------|
| Cash at bank and on hand | 1,889 | 8,057 | 503 | 2,257 |
| Deposits at call | 47,688 | 11,404 | 1,681 | 7,434 |
| | 49,577 | 19,461 | 2,184 | 9,691 |

Cash at bank and on hand is interest bearing at between 1.25% and 7.25%.

Deposits at call are interest bearing at between 2.13% and 7.69%.

The consolidated and parent entity's exposure to interest rate risk is discussed in note 27.

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| NOTES TO THE FINANCIAL STATEMENTS |
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For the year to 30 June 2008

| | Consolidated | | Parent | |
|---|---------------------|---------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Note 7: Trade and other receivables | | | | |
| Current | | | | |
| Trade and other debtors | 20,065 | 24,090 | - | - |
| Amounts receivable from wholly own entities | - | - | 34,022 | 7,781 |
| | 20,065 | 24,090 | 34,022 | 7,781 |
| Less | | | | |
| Provision for impairment | (687) | - | - | - |
| | 19,378 | 24,090 | 34,022 | 7,781 |
| Non current | | | | |
| Trade and other debtors | - | 4,947 | - | - |
| Amounts receivable from associated entities | 1,539 | 630 | - | - |
| | 1,539 | 5,577 | - | - |

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

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

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

| | | | | |
|--------------------------------------|-----|---|---|---|
| Opening balance | - | - | - | - |
| Provision recognised during the year | 687 | - | - | - |
| Closing balance | 687 | - | - | - |

Impaired trade receivables

As at 30 June 2008 current trade receivables of the consolidated entity with a nominal value of \$687,000 (2007: Nil) were impaired. The amount of the provision was \$687,000 (2007: Nil). The individually impaired receivables relate to customers, which are in unexpectedly difficult economic situations. It was assessed that a portion of the receivables is expected to be recovered. There were no impaired trade receivables for the parent in 2008 or 2007.

Past due but not impaired

As of 30 June 2008, trade receivables of \$1,922,000 (2007: \$773,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

| | 60 days | 90 days + | Total past due |
|----------------------------|----------------|------------------|-----------------------|
| Past due trade receivables | 1,245 | 677 | 1,922 |

**MINERAL RESOURCES LIMITED – ABN 33 118 549 910
and Controlled Entities**

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| NOTES TO THE FINANCIAL STATEMENTS |
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For the year to 30 June 2008

| Consolidated | | Parent | |
|---------------------|---------------|---------------|---------------|
| 2008 | 2007 | 2008 | 2007 |
| \$'000 | \$'000 | \$'000 | \$'000 |

Foreign exchange and interest rate risk

Information about the Group's and the parent entity's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 27.

Note 8: Inventories

| | | | | |
|--------------------------|--------|-------|---|---|
| Current | | | | |
| Raw materials and stores | 12,995 | 2,871 | - | - |
| Work in progress | 1,257 | 1,972 | - | - |
| | 14,252 | 4,843 | - | - |

Note 9: Other assets

| | | | | |
|-----------------------|-----|-----|---|---|
| Current | | | | |
| Prepayments and other | 516 | 346 | 2 | - |
| | 516 | 346 | 2 | - |

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| NOTES TO THE FINANCIAL STATEMENTS |
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For the year to 30 June 2008

| | Consolidated | | Parent | |
|--|---------------------|---------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Note 10: Financial assets | | | | |
| Available-for-sale financial assets | 2,555 | 78 | 2,555 | - |
| Held for trading financial assets | 605 | - | - | - |
| | 3,160 | 78 | 2,555 | - |
| Current portion | 605 | - | - | - |
| Non-current portion | 2,555 | - | 2,555 | - |
| Available-for-sale Financial Assets Comprise | | | | |
| Listed investments, at fair value | | | | |
| shares in listed corporations | 3,580 | - | 3,580 | - |
| Less: Impairment provision | (1,025) | - | (1,025) | - |
| Total available-for-sale financial assets | 2,555 | 78 | 2,555 | - |

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

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

The impairment provision consists of a reduction in fair value of shares in Monarch Gold Company Limited (in administration) (MON) which was suspended from trading on ASX on 13 June 2008 and was placed into voluntary administration on 10 July 2008. The consolidated entity holds 5 million shares in MON purchased at \$0.50 per share. Directors believe the last trading price of \$0.295 per share represents the best estimate of the fair value of shares. The administrator of MON has not publicly made an assessment of the affairs of MON at the date of this report.

Investment in shares in Goldstar Resources NL were not held on the basis of the closing market price at 30 June 2008 as the price has fluctuated significantly since year end and directors are of the view that the cost is the best indication of fair value of these shares.

Held for trading financial assets comprise

| | | | | |
|---|-----|---|---|---|
| Gain recognised as a result of the fair valuation of foreign exchange contracts | 605 | - | - | - |
| | 605 | - | - | - |

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

**MINERAL RESOURCES LIMITED – ABN 33 118 549 910
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NOTES TO THE FINANCIAL STATEMENTS

For the year to 30 June 2008

Note 11: Investments accounted for using the equity method

Interests are held in the following unlisted associated companies

| Name | Principal Activities | Country of Incorporation | Shares | Ownership Interest | | Carry amount of investment | |
|---|----------------------|--------------------------|--------|--------------------|----------------|----------------------------|----------------|
| | | | | 2008 % | 2007 % | 2008 \$000 | 2007 \$000 |
| Minprocess Group Inc. | Mineral processing | Philippines | Ord | 40 | 40 | 66 | 66 |
| Iron Processing Group Inc. | Mineral processing | Philippines | Ord | 40 | 40 | 54 | 55 |
| Process Minerals International Pty Ltd Inc. | Mineral processing | Philippines | Ord | 40 | 40 | 69 | - |
| | | | | | | 189 | 121 |
| | | | | Consolidated | | Parent | |
| | | | | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |

Assets, Liabilities and Performance of Associates

| | | | | |
|---------------------------------------|-------|-------|---|---|
| Current assets | 155 | 96 | - | - |
| Non-current assets | 341 | 164 | - | - |
| Total assets | 496 | 260 | - | - |
| Current liabilities | (72) | (11) | - | - |
| Non-current liabilities | (678) | (584) | - | - |
| Total liabilities | (750) | (595) | - | - |
| Net assets | (254) | (335) | - | - |
| Revenues | 92 | - | - | - |
| Profit after income tax of associates | (172) | (215) | - | - |

Ownership interest in Minprocess Group Inc. Iron Processing Group Inc and Process Minerals International Pty Ltd Inc, at the company's balance date was 40% of ordinary shares. The reporting date of the associates is 31st December.

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NOTES TO THE FINANCIAL STATEMENTS

For the year to 30 June 2008

| | Consolidated | | Parent | |
|---|---------------------|---------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Note 12: Plant and equipment | | | | |
| <i>Plant and equipment owned</i> | | | | |
| Cost | | | | |
| Opening balance | 23,329 | 16,485 | - | - |
| Category adjustment | 567 | - | - | - |
| Additions | 38,835 | 7,945 | - | - |
| Disposals | (674) | (1,101) | - | - |
| Closing balance | 62,057 | 23,329 | - | - |
| Accumulated depreciation | | | | |
| Opening balance | (6,646) | (3,095) | - | - |
| Category adjustment | 440 | - | - | - |
| Disposals | 249 | 332 | - | - |
| Depreciation expense | (3,471) | (3,883) | - | - |
| Closing balance | (9,428) | (6,646) | - | - |
| Assets completing lease contract - transfer | 8,250 | 2,035 | - | - |
| Net book value | 60,879 | 18,718 | - | - |
| <i>Plant and equipment under lease</i> | | | | |
| Cost | | | | |
| Opening balance | 82,883 | 79,425 | - | - |
| Category adjustment | (577) | - | - | - |
| Additions | 11,303 | 4,029 | - | - |
| Disposals | - | (571) | - | - |
| Closing balance | 93,609 | 82,883 | - | - |
| Accumulated depreciation | | | | |
| Opening balance | (13,373) | (7,392) | - | - |
| Category adjustment | (445) | - | - | - |
| Disposals | - | 152 | - | - |
| Depreciation Expense | (15,194) | (6,133) | - | - |
| Closing balance | (29,012) | (13,373) | - | - |
| Assets completing lease contract | (8,250) | (2,035) | - | - |
| Net book value | 56,347 | 67,475 | - | - |

**MINERAL RESOURCES LIMITED – ABN 33 118 549 910
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS

For the year to 30 June 2008

| | Consolidated | | Parent | |
|--|---------------------|---------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Note 12: Plant and equipment (cont) | | | | |
| <i>Tracking plant and equipment</i> | | | | |
| Fair value | | | | |
| Opening balance | 3,851 | 1,692 | - | - |
| Category adjustment | - | - | - | - |
| Additions | 447 | 637 | - | - |
| Disposals | - | - | - | - |
| Revaluation increments | 503 | 1,522 | - | - |
| Closing balance | 4,801 | 3,851 | - | - |
| Accumulated depreciation | | | | |
| Opening balance | (726) | - | - | - |
| Category adjustment | - | - | - | - |
| Disposals | - | - | - | - |
| Depreciation Expense | (948) | (726) | - | - |
| Closing balance | (1,674) | (726) | - | - |
| Net book value | 3,127 | 3,125 | - | - |
| Total property, plant and equipment | 160,467 | 110,063 | - | - |
| Total plant and equipment accumulated depreciation | (40,114) | (20,745) | - | - |
| Total, plant and equipment net | 120,353 | 89,318 | - | - |

The basis of revaluation of track plant and equipment is an independent valuation by a qualified valuer or directors' valuation.

Assets in the course of construction

The carrying amounts of the assets disclosed above includes \$32,109,000 (2007: \$3,791,000) recognised in relation to property, plant and equipment in the course of construction.

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| NOTES TO THE FINANCIAL STATEMENTS |
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For the year to 30 June 2008

| | Consolidated | | Parent | |
|---|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Note 13: Intangible assets | | | | |
| <i>Goodwill- cost</i> | | | | |
| Opening balance | 10,235 | 10,235 | - | - |
| Additions from the acquisition of controlled entities | - | - | - | - |
| Impairment losses of goodwill | - | - | - | - |
| Closing balance | 10,235 | 10,235 | - | - |

Impairment tests for cash generating units containing goodwill

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

| | | | | |
|--|--------|--------|---|---|
| PIHA Pty Ltd | 8,817 | 8,817 | - | - |
| Process Minerals International Pty Ltd | 1,418 | 1,418 | - | - |
| | 10,235 | 10,235 | - | - |

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

Goodwill has an infinite life.

Impairment Disclosures

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

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

Discount rate – 11% (2007: 9%)

Growth rate of cash flows – nil (2007: nil)

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

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NOTES TO THE FINANCIAL STATEMENTS

For the year to 30 June 2008

| | Consolidated | | Parent | |
|---|---------------------|---------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Note 14: Deferred tax assets and liabilities | | | | |
| <i>Deferred tax assets</i> | | | | |
| Opening balance | 3,660 | 1,443 | 678 | - |
| Charged / (credited) to income statement | 1,804 | 808 | 297 | 291 |
| Charged / (credited) to equity | - | 387 | - | 387 |
| Prior year tax losses | (1,022) | 1,022 | - | - |
| | 4,442 | 3,660 | 975 | 678 |
| Deferred tax assets represented by: | | | | |
| Temporary differences | | - | | - |
| - depreciation of fixed assets | 421 | 301 | - | - |
| - employee benefit provisions | 984 | 749 | 378 | 291 |
| - project closure / rehabilitation provisions | 2,268 | 1,217 | - | - |
| - unrealised foreign exchange gain | (185) | - | - | - |
| Share issue costs | 289 | 387 | 289 | 387 |
| Impairment losses | 514 | | 308 | - |
| Tax losses – revenue | - | 1,022 | - | - |
| Other | 151 | (16) | | - |
| | 4,442 | 3,660 | 975 | 678 |
| <i>Deferred tax liabilities</i> | | | | |
| Opening balance | 14,252 | 10,915 | - | - |
| Charged / (credited) to income statement | (11) | (6,541) | - | - |
| Charged / (credited) to equity | 878 | - | - | - |
| Exchange fluctuations | - | 119 | - | - |
| Asset revaluation reserve | - | 9,759 | - | - |
| | 15,119 | 14,252 | - | - |
| Deferred tax liabilities represented by: | | | | |
| Temporary differences | | | - | - |
| - accrued revenue | 1,275 | 1,117 | - | - |
| - unrealised foreign exchange gain | (96) | 119 | - | - |
| - depreciation of fixed assets | 4,466 | 2,965 | - | - |
| Asset revaluation reserve | 7,639 | 9,759 | - | - |
| Other | 101 | 292 | - | - |
| | 13,385 | 14,252 | - | - |

**MINERAL RESOURCES LIMITED – ABN 33 118 549 910
and Controlled Entities**

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| NOTES TO THE FINANCIAL STATEMENTS |
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For the year to 30 June 2008

| | Consolidated | | Parent | |
|--|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Note 15: Trade and other payables | | | | |
| Current | | | | |
| Unsecured liabilities | | | | |
| - trade creditors and accruals | 39,007 | 21,529 | 540 | 759 |
| - amounts payable to wholly owned entities | - | - | 20,291 | 1,670 |
| | 39,007 | 21,529 | 20,831 | 2,429 |
| Non current | | | | |
| Unsecured liabilities | | | | |
| - trade creditors and accruals | 15 | 8,428 | - | - |

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

Note 16: Financial Liabilities

| | | | | |
|-----------------------------|--------|--------|---|---|
| Current | | | | |
| Secured liabilities | | | | |
| - secured loans | - | 1,650 | - | - |
| - finance lease liabilities | 11,355 | 10,325 | - | - |
| | 11,355 | 11,975 | - | - |
| Non current | | | | |
| Secured liabilities | | | | |
| - finance lease liabilities | 16,766 | 16,341 | - | - |
| | 16,766 | 16,341 | - | - |

Details of the security held is as follows:

Bank facilities are secured by:

- Registered mortgage debentures over the whole of the assets and undertakings of each of the parent entity and its controlled entities;
- Negative pledges with respect to financial covenants; and
- Interlocking guarantees.

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

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For the year to 30 June 2008

| Consolidated | | Parent | |
|---------------------|---------------|---------------|---------------|
| 2008 | 2007 | 2008 | 2007 |
| \$'000 | \$'000 | \$'000 | \$'000 |

Note 16: Financial Liabilities (cont)

Finance facilities

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

| | | | | |
|--|----------|----------|---|---|
| Bank overdraft | | | | |
| Limit | 3,600 | 3,600 | - | - |
| Amount utilised | - | - | - | - |
| Unused facility | 3,600 | 3,600 | - | - |
| | | | | |
| Overseas bills purchasing line of credit | | | | |
| Limit | 1,533 | 1,533 | - | - |
| Amount utilised | - | - | - | - |
| Unused facility | 1,533 | 1,533 | - | - |
| | | | | |
| Finance lease liabilities | | | | |
| Limit | 40,376 | 28,367 | - | - |
| Amount utilised | (28,121) | (26,666) | - | - |
| Unused facility | 12,255 | 1,701 | - | - |
| | | | | |
| Bank loans | | | | |
| Limit | 50,000 | 1,650 | - | - |
| Amount utilised | - | (1,650) | - | - |
| Unused facility | 50,000 | - | - | - |

Facility use, expiry and interest rates:

Bank Overdraft

This facility is an overdraft offset facility that can be drawn to a maximum of \$3,600,000. The facility is renewable on an annual basis and is due for renewal on 31 December 2008. Interest is charged on this account at the National Australia Bank Indicator Rate plus a margin of 1.75%. At the balance date this rate was 12.43% per annum. This rate can vary.

Overseas Bill Purchasing Line

This facility allows for disbursements in US dollars to supplies of ocean shipping services to the consolidated entity. The facility is renewable on an annual basis and is currently due for renewal on 31 December 2008. Interest is charged at the National Australia Bank Cost of Funds Rate plus a margin of 1.6%. The annual rate at the time of this report is 2.875% per annum.

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Finance Lease Facilities

Finance lease contracts are utilised to finance the acquisition of plant and equipment. The consolidated group has a combination of a revolving limit and separately approved finance lease contracts. The contracts are negotiated on current interest rates and terms depending on the particular equipment purchased and the contract expires on completion of the payment schedule. Average interest rates and the unexpired terms of the contracts are disclosed in note 27.

Bank Loan

The consolidated entity has a special purpose loan facility to fund the construction of certain plant. This facility was entered into during the year. No drawings have been made against this facility at year end.

| | Consolidated | | Parent | |
|------------------------------------|---------------------|---------------|---------------|---------------|
| | 2008 | 2007 | 2008 | 2007 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Note 17: Provisions | | | | |
| Current portion | 7,719 | 6,553 | 1,261 | 971 |
| Non-current portion | 3,304 | - | - | - |
| | 11,023 | 6,553 | 1,261 | 971 |
| Employee entitlements | 3,465 | 2,495 | 1,261 | 971 |
| Warranty provision | - | - | - | - |
| Project closure provision | 4,058 | 4,058 | - | - |
| Site rehabilitation provision | 3,500 | - | - | - |
| | 11,023 | 6,553 | 1,261 | 971 |
| Employee entitlements | | | | |
| Opening balance | 2,496 | 1,768 | 971 | - |
| Additional amounts provided for | 2,460 | 2,396 | 344 | 971 |
| Amounts used | (1,491) | (1,669) | (54) | - |
| Closing balance | 3,465 | 2,495 | 1,261 | 971 |
| Warranty provision movement | | | | |
| Opening balance | - | 246 | - | - |
| Amounts used | - | (246) | - | - |
| Closing balance | - | - | - | - |
| Project closure provision movement | | | | |
| Opening balance | 4,058 | 2,648 | - | - |
| Additional amounts provided for | - | 1,410 | - | - |
| Closing balance | 4,058 | 4,058 | - | - |
| Current portion | 3,254 | 4,058 | - | - |
| Non-current portion | 804 | - | - | - |
| Site rehabilitation movement | | | | |
| Opening balance | - | - | - | - |
| Additional amounts provided for | 3,500 | - | - | - |
| Closing balance | 3,500 | - | - | - |
| Current portion | 1,000 | - | - | - |
| Non-current portion | 2,500 | - | - | - |

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For the year to 30 June 2008

Note 18: Share Capital

(a) Issued and paid up capital

Issued and paid up capital of the company is 122,882,776 ordinary shares (2007: 120,348,000).

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

(b) Movements in share capital

| | 2008 Number | 2007 Number | 2008 \$'000 | 2007 \$'000 |
|--|----------------|----------------|----------------|----------------|
| Opening balance | 120,348,000 | 105,348,000 | 57,278 | 43,732 |
| Shares issued to directors in conjunction with a contract of service | 1,166,666 | - | - | - |
| Share options exercised by directors | 500,000 | - | 450 | - |
| Employee share options exercised | 868,110 | - | 1,256 | - |
| Initial public offering | - | 25,000,000 | - | 22,500 |
| Sell down of owners shares in conjunction with the initial public offering | - | (10,000,000) | - | (9,000) |
| Share issue costs (net of income tax benefit) | - | - | - | (1,128) |
| Share-based payments | - | - | 5,177 | 1,174 |
| Closing balance | 122,882,776 | 120,348,000 | 64,161 | 57,278 |

(c) Options

For information relating to the Mineral Resources Limited employee share option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year end, refer to note 25 Share based payments.

For information relating to share options issued to key management personnel during the financial year, refer to note 25 Share based payments.

(d) Capital management

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

The capital structure of the consolidated entity consists of debt, which includes the borrowings disclosed in note 20, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued share capital, reserves and retained earnings. Management and the Board balances the capital structure through payment of dividends, issue of new shares, repayment of existing debt and the acquisition of new debt.

The consolidated entity's overall capital management strategy remains unchanged from 2007.

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NOTES TO THE FINANCIAL STATEMENTS

For the year to 30 June 2008

Note 19: Reserves

Asset Revaluation Reserve

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

Movement in the asset revaluation reserve:

| | Consolidated | | Parent | |
|-----------------|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Opening balance | 2,066 | - | - | - |
| Revaluation | 504 | 1,481 | - | - |
| Deferred tax | 878 | 585 | - | - |
| Closing balance | 3,448 | 2,066 | - | - |

Note 20: Cashflow Information

(a) Reconciliation of cash

| | | | | |
|--------------------------|--------|--------|-------|-------|
| Cash at bank and on hand | 49,577 | 19,461 | 2,184 | 9,691 |
| Bank overdraft | - | - | - | - |
| | 49,577 | 19,461 | 2,184 | 9,691 |

(b) Cash flows from operations

| | | | | |
|---|---------|---------|----------|---------|
| Profit after tax | 47,094 | 20,167 | 14,921 | 4,307 |
| Non-cash flows in profit | | | | |
| Depreciation | 19,614 | 10,741 | - | - |
| Share based payments expense | 5,177 | 1,174 | 1,538 | 1,174 |
| Dividends received | - | - | (16,031) | (4,187) |
| Net gain on disposal of plant and equipment | (313) | (462) | - | - |
| Net gain on disposal of available for sale Investments | (230) | - | (230) | - |
| Impairment of available for sale investments | 1,025 | - | 1,025 | - |
| Changes in assets and liabilities: | | | | |
| Trade receivables | 8,760 | (9,177) | (260) | (7,570) |
| Inventories | (9,408) | (2,600) | - | - |
| Trade payables and accruals | 9,065 | 4,412 | (219) | 2,216 |
| Provisions | 4,470 | 1,892 | 290 | 971 |
| Other current assets | (170) | 456 | (2) | - |
| Financial assets | (605) | (121) | - | - |
| Income taxes payable | 13,077 | 1,478 | (270) | - |
| Deferred taxes payables | (770) | 2,145 | (297) | 555 |
| Cash flows from operations | 96,786 | 30,105 | 465 | (2,534) |

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

During the year, the consolidated group acquired plant and equipment with an aggregate value of \$12,048,000 (2007: \$4,667,000) by means of finance leases. These acquisitions are not reflected in the cash flow statement.

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For the year to 30 June 2008

| | Consolidated | | Parent | |
|--|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Note 21: Operating and finance leases | | | | |
| The operating leases have been entered into as a means of acquiring access to property. Rental payments are generally fixed. | | | | |
| Non cancellable operating leases contracted for but not capitalised: | | | | |
| Payable: | | | | |
| - not later than one year | 1,729 | 1,002 | - | - |
| - later than one year but not later than five years | 3,738 | 2,206 | - | - |
| - later than five years | - | - | - | - |
| | 5,467 | 3,208 | - | - |
| Finance lease liabilities | | | | |
| Payable: | | | | |
| - not later than one year | 13,067 | 10,758 | - | - |
| - later than one year but not later than five years | 18,142 | 19,066 | - | - |
| - later than five years | - | - | - | - |
| Minimum finance lease payments | 31,209 | 29,824 | - | - |
| Less future finance charges | (3,088) | (3,158) | - | - |
| Total finance lease liabilities | 28,121 | 26,666 | - | - |
| Reconciled to: | | | | |
| - Current liabilities | 11,355 | 10,325 | - | - |
| - Non current liabilities | 16,766 | 16,341 | - | - |
| | 28,121 | 26,666 | - | - |

Note 22: Capital commitments

Capital expenditure commitments contracted for:

| | | | | |
|---|--------|-------|---|---|
| Plant and equipment purchases within one year | 10,730 | 3,254 | - | - |
|---|--------|-------|---|---|

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| NOTES TO THE FINANCIAL STATEMENTS |
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For the year to 30 June 2008

Note 23: Controlled entities

(a) Controlled entities

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

| 30 June 2008 | Country of Incorporation and Operation | Class | Equity Holding | |
|---|--|-------------------|----------------|-----------|
| | | | 2008 % | 2007 % |
| Parent entity: | | | | |
| Mineral Resources Limited | Australia | | | |
| Controlled entities: | | | | |
| Crushing Services International Pty Ltd | Australia | Large Proprietary | 100% | 100% |
| PIHA Pty Ltd | Australia | Large Proprietary | 100% | 100% |
| Process Minerals International Pty Ltd | Australia | Large Proprietary | 100% | 100% |

(b) Deed of cross guarantee

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

Note 24: Key management personnel disclosures

The following were key management personnel of the consolidated entity at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non executive directors:

- Mr J Ricciardo
- Mr M Dutton (appointed 8 November 2007)
- Mr M Kiernan (resigned 12 May 2008)

Executive directors:

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

Executives:

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

Remuneration of key management personnel

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

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| NOTES TO THE FINANCIAL STATEMENTS |
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For the year to 30 June 2008

Note 24: Key management personnel disclosures (Cont.)

Loans to key management personnel and their related parties

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

Equity instruments

As part of David Geraghty's engagement as Technical Director of Process Minerals, he will be allocated up to 600,000 Options exercisable at an average price of \$1.90 and an expiry date of 3 years after the date of issue. The securities will be issued in 3 equal tranches on 15 January 2008, 15 January 2009 and 15 January 2010, unless he ceases to be an employee of the consolidated group during that period of time in which case he is not entitled to the securities which have not already been issued.

Exercise of options granted as remuneration

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

Option holdings

| | Opening Balance | Granted as Remuneration | Closing Balance | Vested | Unvested |
|---------------------|--------------------|----------------------------|--------------------|---------|-----------|
| Peter Wade | - | - | - | - | - |
| Joe Ricciardo | 1,500,000 | - | 1,500,000 | 500,000 | 1,000,000 |
| Chris Ellison | - | - | - | - | - |
| Mark Dutton | - | - | - | - | - |
| Michael Kiernan* | 900,000 | - | 900,000 | 500,000 | 400,000 |
| Steve Wyatt | - | - | - | - | - |
| Bob Gavranich | - | - | - | - | - |
| David Geraghty | - | 600,000 | 600,000 | 200,000 | 400,000 |
| Bruce Goulds | 750,000 | - | 750,000 | 250,000 | 500,000 |

*resigned 12 May 2008

Equity holdings and transactions

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

| | Opening Balance | Shares Acquired Remuneration | Options Exercised | Sales on open market | Closing Balance |
|------------------|--------------------|------------------------------------|----------------------|-------------------------|--------------------|
| Peter Wade | 8,116,162 | - | - | (2,000,000) | 6,116,162 |
| Joe Ricciardo | 555,750 | - | - | - | 555,750 |
| Chris Ellison | 49,062,815 | - | - | (5,000,000) | 44,062,815 |
| Mark Dutton | - | - | - | - | - |
| Michael Kiernan* | 100,000 | 1,166,666 | 500,000 | (1,766,666) | - |
| Steve Wyatt | 16,757,344 | - | - | (3,000,000) | 13,757,344 |
| Bob Gavranich | 14,132,768 | - | - | (3,000,000) | 11,132,768 |
| David Geraghty | 1,267,487 | - | - | - | 1,267,487 |
| Bruce Goulds | - | - | 250,000 | - | 250,000 |

*resigned 12 May 2008

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| NOTES TO THE FINANCIAL STATEMENTS |
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For the year to 30 June 2008

Note 25: Share Based Payments

The following share based payment arrangements existed at 30 June 2008.

As part of Michael Kiernan's engagement as non-executive chairman of the Company, he will be allocated 2,166,666 Shares and 900,000 Options exercisable at \$0.90 with varying expiry dates not exceeding 3 years after the date of grant.

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.

As part of Mark Dutton's engagement as non-executive director of the Company, he will be allocated up to 1,500,000 Options exercisable at \$3.50 and an expiry date of 3 years after the date of grant. The issue of securities are subject to shareholder approval after which he would be entitled to the grant of the initial tranche.

As part of Bruce Goulds' engagement as Chief Financial Officer of the Company, he will be allocated up to 750,000 Options under the terms of the Employee Share Option Plan 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 250,000 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 an employee during that period of time in which case he is not entitled to the securities which have not already been issued.

As part of David Geraghty's engagement as Technical Director of Process Minerals, he will be allocated up to 600,000 Options exercisable at an average price of \$1.90 and an expiry date of 3 years after the date of issue. The securities will be issued in 3 equal tranches on 15 January 2008, 15 January 2009 and 15 January 2010, unless he ceases to be an employee of the consolidated group during that period of time in which case he is not entitled to the securities which have not already been issued.

Senior staff members have been granted up to 4,575,000 share options as part of their remuneration package. Options are exercisable at an average price of \$1.90 and an expiry date of 3 years after the date of issue. The securities will be issued in 3 equal tranches on 15 January 2008, 15 January 2009 and 15 January 2010, unless the staff member ceases to be an employee of the consolidated group during that period of time in which case they are not entitled to the securities which have not already been issued.

Options

| | Number of Options | Weighted Average Exercise Price \$ |
|--|------------------------------|---|
| Outstanding at the beginning of the year | 3,750,000 | 0.9000 |
| Granted | 5,175,000 | 1.9000 |
| Forfeited | (600,000) | 0.9000 |
| Exercised | (1,368,110) | 1.3065 |
| Expired | - | - |
| Outstanding at year-end | 6,956,890 | 1.5639 |
| Exercisable at year-end | 1,106,890 | 1.8000 |

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| NOTES TO THE FINANCIAL STATEMENTS |
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For the year to 30 June 2008

Note 25: Share Based Payments (cont)

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

| | Tranche 1 | Tranche 2 | Tranche 3 |
|---------------------------|--------------------|--------------------|--------------------|
| Exercise price | \$1.80 | \$1.90 | \$2.00 |
| Life of the option | 3 years from issue | 3 years from issue | 3 years from issue |
| Underlying share price | \$2.96 | \$2.96 | \$2.96 |
| Expected share volatility | 0.4 | 0.4 | 0.4 |
| Risk free interest rate | 6.75% | 6.75% | 6.75% |
| | | | |
| Fair value per option | \$1.604 | \$1.544 | \$1.486 |

Volatility of similar stocks in the market place has been the basis for determining expected share price volatility.

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

Shares

No shares were granted.

Share Based Payment expense

Included under employee benefits expense in the income statement is \$5,177,000 and relates, in full, to equity-settled share-based payment transactions.

| Consolidated | | Parent | |
|---------------------|-------------|---------------|-------------|
| 2008 | 2007 | 2008 | 2007 |
| \$ | \$ | \$ | \$ |

Note 26: Auditor's remuneration

Amounts received or due and receivable by RSM Bird Cameron Partners for:

| | | | | |
|--|---------|---------|---------|--------|
| Audit and review fees | 168,000 | 153,000 | 168,000 | 25,000 |
| Tax compliance services | 33,000 | 44,000 | 15,000 | 4,000 |
| Investigating accountants report for initial public offering | - | 10,000 | - | 10,000 |
| | 201,000 | 207,000 | 183,000 | 39,000 |

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For the year to 30 June 2008

Note 27: Financial Instruments

Financial Risk Management Policies

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

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

Treasury Risk Management

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

Financial Risk Exposures and Management

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

Liquidity risk

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

Credit risk exposures

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

The consolidated entity's exposures to on-balance sheet credit risk are as indicated by the carrying amounts of its financial assets. The consolidated entity does not have a significant exposure to any individual counterparty.

Foreign currency risk

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

The consolidated entity enters into forward exchange contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the consolidated entity against unfavourable exchange rate movements for both the contracted and anticipated future sales undertaken in foreign currencies.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year to 30 June 2008

Note 27: Financial instruments (Cont.)

Sell United States Dollars Settlement

| | Buy Australian Dollars | | Exchange Rate | |
|-----------------------|------------------------|---------------|---------------|--------|
| | 2008 \$000 | 2007 \$000 | 2008 | 2007 |
| Sell USD \$5,000,000 | 5,482 | - | 0.9120 | - |
| Sell USD \$5,000,000 | 5,338 | - | 0.9367 | - |
| Sell USD \$2,500,000 | 2,671 | - | 0.9358 | - |
| Sell USD \$5,000,000 | 5,303 | - | 0.9429 | - |
| Sell USD \$10,000,000 | - | 12,195 | - | 0.8200 |

Contracts above relates to the period – 11 July 2008 to 1 August 2008.

Interest rate risk

Interest rate risk is managed fixed rate debt. At 30 June 2008 all group debt is fixed. It is the policy of the group to keep all debt on fixed interest rates unless funding plants constructions that are drawn down using flexible rate equipment loans that are converted to fixed rate instruments on completion of the project.

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

| Consolidated 2008 | Effective Interest Rate | Total | Floating Interest Rate | 1 year or less | Over 1 year to 5 years |
|---|-------------------------------|--------|------------------------------|-------------------|------------------------------|
| Cash and cash equivalents | 4.25% | 49,577 | 49,577 | - | - |
| Interest bearing liabilities – current* | 7.55% | 11,355 | - | 11,355 | - |
| Interest bearing liabilities – non current* | 7.87% | 16,766 | - | - | 16,766 |
| Consolidated 2007 | Effective Interest Rate | Total | Floating Interest Rate | 1 year or less | Over 1 year to 5 years |
| Cash and cash equivalents | 6.24% | 19,461 | 19,461 | - | - |
| Interest bearing liabilities – current* | 7.20% | 11,975 | - | 11,975 | - |
| Interest bearing liabilities – non current* | 7.10% | 16,341 | - | - | 16,341 |

* These assets / liabilities bear interest at a fixed rate

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For the year to 30 June 2008

Note 27: Financial instruments (Cont.)

Fair Values

| 2008 | Consolidated | | Parent | |
|--|----------------------------|-----------------------|----------------------------|-----------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Trade and other receivables | 21,584 | 21,584 | 13,739 | 13,739 |
| Cash and cash equivalents | 49,577 | 49,577 | 2,184 | 2,184 |
| Interest bearing liabilities - current | 11,355 | 11,355 | - | - |
| Interest bearing liabilities – non current | 16,766 | 16,766 | - | - |
| Trade and other payables | 39,022 | 39,022 | 544 | 544 |

| 2007 | Consolidated | | Parent | |
|--|----------------------------|-----------------------|----------------------------|-----------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| Trade and other receivables | 29,667 | 29,667 | 7,782 | 7,782 |
| Cash and cash equivalents | 19,461 | 19,461 | 9,691 | 9,691 |
| Interest bearing liabilities - current | 11,975 | 11,975 | - | - |
| Interest bearing liabilities – non current | 16,341 | 16,341 | - | - |
| Trade and other payables | 29,957 | 29,957 | 2,429 | 2,429 |

Estimation of fair values

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

(i) *Interest bearing liabilities*

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

(ii) *Trade and other receivables / payables*

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

Sensitivity

Interest rate risk

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

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Note 27: Financial instruments (Cont.)

Foreign currency risk

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

The table below summarises the impact of + / - 5% strengthening / weakening of the AUD against the USD on the consolidated entities post tax profit for the year and equity. The analysis is based on a 5% strengthening / weakening of the AUD against the USD at balance date with all other factors remaining equal. The impact of the analysis on 2007 results is considered to be minimal and has not been disclosed.

| | Post tax profit 2008 \$'000s | Equity 2008 \$'000s |
|--------------|---|------------------------------------|
| AUD/USD + 5% | (633) | (633) |
| AUD/USD - 5% | 633 | 633 |

Price risk

The consolidated entity has considered the sensitivity relating to its exposure to changes in the market price of shares held in listed companies. This analysis considers the effect on current year results and equity which could result in a change in this risk.

The table below summarises the impact of a 5% strengthening / weakening of the share price of companies the consolidated entity hold investments in with all other factors remaining equal.

| | Post tax profit | | Equity | |
|-------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 2008 \$'000s | 2007 \$'000s | 2008 \$'000s | 2007 \$'000s |
| 5% improvement in share-price | 125 | - | 125 | - |
| 5% diminution in share-price | (125) | - | (125) | - |

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For the year to 30 June 2008

| | Consolidated | | Parent | |
|--|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Note 28: Dividends Paid or Recommended | | | | |
| Dividends Paid | | | | |
| Final ordinary dividend for 2006/07 of 6.3 cents per share franked at a tax rate of 30% paid on 15 November 2007 | 7,671 | | 7,671 | |
| Interim ordinary dividend for 2007/08 of 6.0 cents per share franked at a tax rate of 30% paid on 15 November 2006 | 7,326 | | 7,326 | |
| Interim ordinary dividend for 2006/07 of 1.2 cents per share franked at a tax rate of 30% paid on 15 November 2006 | | 1,444 | | 1,444 |
| Interim ordinary dividend for 2006/07 of 2.0 cents per share franked at a tax rate of 30% paid on 30 March 2007 | | 2,407 | | 2,407 |
| | 14,997 | 3,851 | 14,997 | 3,851 |
| Dividends Proposed | | | | |
| Proposed final ordinary dividend for 2007/08 of 13.35 cents per share franked at a tax rate of 30% and to be paid on 18 November 2008 | 16,264 | | 16,264 | |
| Franking Credits | | | | |
| Franking credits available for subsequent financial years based on a tax rate of 30% | 1,570 | 3,138 | 1,570 | 3,138 |
| Balance of franking account at year end adjusted for franking credits arising from: | | | | |
| - payment of provision for income tax | 1,570 | 3,138 | 1,570 | - |
| - dividends recognised as receivables and franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years | - | - | - | 3,138 |
| | 1,570 | 3,138 | 1,570 | 3,138 |

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| NOTES TO THE FINANCIAL STATEMENTS |
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For the year to 30 June 2008

| | |
|---------------------|---------------|
| Consolidated | |
| 2008 | 2007 |
| \$'000 | \$'000 |

Note 29: Earnings per share

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

| | | |
|--|---------------|---------------|
| Net profit attributable to ordinary shareholders of the parent entity used in calculating basic and diluted earnings per share | 47,094 | 20,167 |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 121,824,550 | 119,279,507 |
| Adjusted weighted average number of ordinary shares used in calculating diluted earnings per share | 122,940,697 | 119,279,507 |
| Basic earnings per share (cents per share) | 38.7 | 16.9 |
| Diluted earnings per share (cents per share) | 38.3 | 16.9 |

Note 30: Related Party Transactions and Balances

Related Party Transactions

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

2008

| | Balance Receivable by \$'000s | Balance Payable by \$'000s | Sales to group companies \$'000s | Purchases from group companies \$'000s |
|---|-------------------------------------|----------------------------------|--|---|
| Mineral Resources Ltd | 34,022 | 20,443 | 4,154 | 1,050 |
| PIHA Pty Ltd | 5,192 | 15,036 | 9,210 | 1,105 |
| Crushing Services International Pty Ltd | 2,008 | 9,576 | 9,953 | 2,792 |
| Process Minerals International Pty Ltd | 21,266 | 17,433 | 1,328 | 18,221 |
| Minprocess Group Inc | - | 709 | - | - |
| Iron Process Group Inc | - | 13 | - | - |
| Process Minerals International Pty Ltd Inc | 63 | - | - | - |

**MINERAL RESOURCES LIMITED – ABN 33 118 549 910
and Controlled Entities**

NOTES TO THE FINANCIAL STATEMENTS

For the year to 30 June 2008

Note 30: Related Party Transactions and Balances (cont)

2007

| | Balance Receivable by \$'000s | Balance Payable by \$'000s | Sales to group companies \$'000s | Purchases from group companies \$'000s |
|---|-------------------------------------|----------------------------------|--|---|
| Mineral Resources Ltd | 7,782 | 1,799 | 3,963 | 128 |
| PIHA Pty Ltd | 828 | 6,149 | 379 | 1,903 |
| Crushing Services International Pty Ltd | 1,829 | 3,257 | 897 | 6,197 |
| Process Minerals International Pty Ltd | 6,200 | 8,166 | 3,778 | 788 |
| Minprocess Group Inc | - | 575 | - | - |
| Iron Process Group Inc | - | 55 | - | - |
| Process Minerals International Pty Ltd Inc | - | - | - | - |

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

Properties from which the company's operations are performed are rented from parties related to Chris Ellison and Peter Wade. The rent paid during the year was \$1,358,000 (2007: \$570,000).

Certain plant and equipment utilised by the group is rented from Crushing Services Group Pty Ltd as trustee for the Crushing Services International Unit Trust and Plastic Technology Development Pty Ltd as trustee for the Plastic Technology Development Unit Trust which are related to Chris Ellison and Peter Wade. The rent paid during the year was \$189,000 (2007: \$382,000).

Related Party Balances

| | Associated Director | Balance at 30 June 2008 \$'000 | Balance at 30 June 2007 \$'000 |
|--|----------------------------|---|---|
| Receivable by the Consolidated Entity | | | |
| Wellard Properties Pty Ltd | P Wade, C Ellison | 12 | 6 |
| Crushing Services International Unit Trust | P Wade, C Ellison | 864 | 1,921 |
| Sandini Pty Ltd | C Ellison | 3 | |
| Plastic Technology Development Unit Trust | | - | 306 |
| Payable by the Consolidated Entity | | | |
| World Wide Infrastructure Pty Ltd | P Wade, C Ellison | - | 1,740 |
| Sandini Pty Ltd | C Ellison | 15 | 14 |

Note 31: 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

For the year to 30 June 2008

Note 32:Subsequent Events

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

Note 33:Contingent Liabilities

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

| | Consolidated | | Parent | |
|--------------------------|----------------|----------------|----------------|----------------|
| | 2008 \$'000 | 2007 \$'000 | 2008 \$'000 | 2007 \$'000 |
| Bank guarantees facility | 5,320 | 4,630 | - | - |
| Amount utilised | (4,032) | (3,541) | - | - |
| Unused guarantee limit | 1,288 | 1,089 | - | - |

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| NOTES TO THE FINANCIAL STATEMENTS |
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For the year to 30 June 2008

Note 34: New Accounting Standards issued but not yet effective

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated entity but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

| AASB Amendment | Standards Affected | Outline of Amendment | Application Date of Standard | Application Date for Group |
|---|--------------------|--|------------------------------|----------------------------|
| AASB 2007-3 Amendments to Australian Accounting Standards | AASB 5 | Non-current Assets Held for Sale and Discontinued Operations | 1 January 2009 | 1 July 2009 |
| | AASB 6 | Exploration for and Evaluation of Mineral | | |
| | AASB 102 | Inventories | | |
| | AASB 107 | Cash Flow Statements | | |
| | AASB 119 | Employee Benefits | | |
| | AASB 127 | Consolidated and Separate Financial Statements | | |
| | AASB 134 | Interim Financial Reporting | | |
| | AASB 136 | Impairment of Assets | | |
| | AASB 1023 | General Insurance Contracts | | |
| | AASB 1038 | Life Insurance Contracts | | |
| | AASB 8 | Operating Segments | | |
| | AASB 114 | Segment Reporting | | |

NOTES TO THE FINANCIAL STATEMENTS

For the year to 30 June 2008

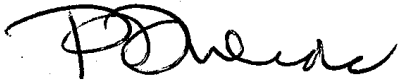
Note 34: New Accounting Standards issued but not yet effective (cont)

| | | | | | |
|---|--|--|--|-------------------|-------------|
| AASB 2007–6 Amendments to Australian Accounting Standards | AASB 1 AASB 101 AASB 107 AASB 111 AASB 116 AASB 138 AASB 123 | First time adoption of AIFRS Presentation of Financial Statements Cash Flow Statements Construction Contracts Property, Plant and Equipment Intangible Assets Borrowing Costs | The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the financial group as they already capitalise borrowing costs related to qualifying assets. | 1 January 2009 | 1 July 2009 |
| AASB 2007–8 Amendments to Australian Accounting Standards | AASB 101 | Presentation of Financial Statements | The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity. | 1 January 2009 | 1 July 2009 |

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 2008 and of their performance, as represented by the results of their operations and their cash flows, for the year ended 30 June 2008; 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
Executive Chairman / Managing Director

Dated this 20th day of August 2008

RSM Bird Cameron Partners

Chartered Accountants

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www.rsmi.com.au

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

MINERAL RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Mineral Resources Limited ("the company"), which comprises the balance sheet as at 30 June 2008 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(i), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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



Independence

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Mineral Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(i).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 10 of the directors' report for the financial year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Mineral Resources Limited for the financial year ended 30 June 2008 complies with section 300A of the *Corporations Act 2001*.

Perth, WA

Dated:

20 August 2008

RSM Bird Cameron Partners
RSM BIRD CAMERON PARTNERS
Chartered Accountants
SC Cubitt
S C CUBITT
Partner