



Mineral Resources Limited

ABN 33 118 549 910

SECOND SUPPLEMENTARY BIDDER'S STATEMENT

by Mineral Resources Limited (ACN 118 549 910) in respect of the Offers to acquire all of the ordinary shares and options in Polaris Metals NL (ACN 085 223 570)

1. INTRODUCTION

This document is the second supplementary bidder's statement (**Second Supplementary Bidder's Statement**) by Mineral Resources Limited (**MRL**) dated 16 October 2009 under section 643 of the Corporations Act in relation to the off-market takeover offers by MRL to acquire all of the issued shares and options in Polaris Metals NL (**Polaris**) as set out in MRL's bidder's statement dated and lodged with the Australian Securities and Investments Commission (**ASIC**) on 17 September 2009 (**Original Bidder's Statement**).

This Second Supplementary Bidder's Statement has been prepared by MRL to ensure that full information has been provided to Polaris Shareholders and Optionholders in respect of the Offers made by MRL.

A copy of this Second Supplementary Bidder's Statement was lodged with the ASIC on 16 October 2009. Neither the ASIC nor any of its officers takes any responsibility for the contents of this Second Supplementary Bidder's Statement.

This Second Supplementary Bidder's Statement supplements, and must be read together with, the Original Bidder's Statement and MRL's first supplementary bidder's statement dated 2 October 2009 (**First Supplementary Bidder's Statement**).

Unless the context otherwise requires, defined terms in the Original Bidder's Statement have the same meaning in this Second Supplementary Bidder's Statement. This Second Supplementary Bidder's Statement will prevail to the extent of any inconsistency with the Original Bidder's Statement.

2. VARIATIONS TO OFFERS

2.1 Increase in consideration – Share Offer

On 15 October 2009, MRL gave notice that it increased the consideration offered under its Share Offer by increasing the ratio of MRL Shares offered and introducing a cash component to the Offer.

Under the increased Share Offer, Polaris Shareholders will now receive one (1) MRL Share for every 12 Polaris Shares they hold AND 5 cents cash for every one (1) Polaris Share they hold. This means Polaris Shareholders will receive 1 MRL Share AND 60 cents cash for every 12 Polaris Shares they hold.

The increased offer values your Polaris Shares at **65.33 cents per share**¹.

MRL's increased Share Offer represents a **premium of 118%** to the 30 cents closing price of Polaris Shares on 14 August 2009 (the trading day prior to announcement of the Share Offer)².

As demonstrated below, the increased offer also represents a substantial premium to the trading prices of Polaris Shares across a wide range of other time periods prior to the announcement of MRL's Offer (**Announcement Date**).

The underlying value of the revised Share Offer provides Polaris Shareholders with substantial premiums on the Polaris Share Price³:

- (a) a **146% premium** over the 1 month volume weighted average closing price for Polaris Shares (using the closing Polaris Share price on 14th August 2009, the last day Polaris Shares were traded before the Announcement Date); and
- (b) a **165% premium** over the 3 month volume weighted average closing price for Polaris Shares (using the closing Polaris Share price on 14th August 2009, the last day Polaris Shares were traded before the Announcement Date).

In accordance with Section 650B(2) of the Corporations Act, Polaris Shareholders who have already accepted the Share Offer will be entitled to receive the increased consideration offered under the revised Share Offer.

2.2 Share Offer freed of 50.1% Minimum Acceptance Condition

On 15 October 2009, MRL gave notice that it had declared the Share Offer and any takeover contract arising from acceptance of the Share Offer free from the condition set out in Section 1.10(a)(i) of Annexure A of the Original Bidder's Statement (the 50.1% Minimum Acceptance Condition).

On 15 October 2009 (in an announcement dated 14 October 2009), MRL also announced to ASX that upon achieving acceptances of 50.1% under the Share Offer, MRL intends to free the Share Offer and Option Offer from all remaining conditions.

2.3 Extension of Share Offer Period and Option Offer Period

MRL's Offers were due to close at 5.00pm (WST/Perth time) on 26 October 2009.

On 15 October 2009, MRL gave notice that it had extended the period of its Offers by two weeks so that the Offers will now close at 5.00pm (WST/Perth time) on 9 November 2009 (unless further extended or withdrawn).

^{1, 2, 3} Based on the closing price of MRL Shares on ASX of \$7.24 on 14 October 2009, the trading day prior to announcement of the increase.

3. POLARIS BOARD RECOMMENDATION

As announced by Polaris to ASX on 15 October 2009 (**Polaris 15 October Announcement**), in response to the matters set out in Section 2 of this Second Supplementary Bidder's Statement, the Polaris Board has stated that it considers that MRL's revised Share Offer is **superior** to the offer proposed to be made by Lion-Asia Resources Pte. Ltd., on the terms announced to ASX on 6 October 2009 (**Lion-Asia Offer**).

For the reasons set out in the Polaris 15 October Announcement, the Polaris Board stated that it has determined to **reject** the current Lion-Asia Offer and continues to recommend that Polaris shareholders **accept the improved MRL Share Offer**, in the absence of a superior proposal.

4. SOURCE OF FUNDS FOR CASH COMPONENT OF SHARE OFFER

If MRL was to receive 100% acceptances for the Share Offer (including if all existing Polaris Options were exercised), it would be required to pay approximately \$10.67 million cash in Share Offer consideration.

MRL will satisfy the cash consideration component that will be required for the acquisition of the Polaris Shares under the Share Offer utilising its existing cash resources.

MRL is of the opinion that it has a reasonable basis for forming the view, and it holds the view, that it will be able to pay the cash component of the consideration required for the acquisition of the Polaris Shares pursuant to the Share Offer.

5. CHANGES TO CAPITAL

As a result of the revised Share Offer consideration, MRL has updated the disclosure set out in Section 4.8 of the Original Bidder's Statement regarding the capital structure of MRL assuming completion of the revised Share Offer. Except as otherwise described below, the assumptions set out in section 4.8 of the Original Bidder's Statement continue to apply.

MRL Shares	Number Assuming 50.1% Acceptance	Number Assuming 100% Acceptance
MRL Shares on issue	126,112,776	126,112,776
Takeover Consideration	7,368,550	14,707,685
TOTAL	133,481,326	140,820,461

If 100% of Polaris Shareholders as at the date of this Second Supplementary Bidder's Statement accept the Share Offer, Polaris Shareholders will become entitled to 10.44% of the issued Share capital of MRL, on an undiluted basis.

Notes:

Since the date of the Original Bidder's Statement, MRL has issued 110,000 MRL Shares as a result of the exercise of MRL employee share options.

Since the date of the Original Bidder's Statement, Polaris has issued 700,000 Polaris Shares as a result of the exercise of Polaris Options.

6. FINANCIAL INFORMATION

Since the date of the Original Bidder's Statement the following additional matters have occurred:

- (a) MRL's share price has improved from the level at the time of the Original Bidders Statement of \$4.71 per share. The closing price on 14 October 2009 was \$7.24 per share;
- (b) Polaris' share price has improved from the level at the time of the Original Bidders Statement of \$0.30 per share. The closing price on 14 October 2009 was \$0.625 per share;
- (c) MRL has on 15 October 2009 increased its Share Offer consideration (as described in Section 2 above); and
- (d) Polaris has released its audited 30 June 2009 financial statements.

As a result of the above changes, MRL has updated the pro forma balance set out in Section 7.1 of the Original Bidder's Statement, and sets out in Annexure A its revised pro forma balance sheet and assumptions (Section 7.2 of the Original Bidder's Statement).

7. AUSTRALIAN TAX CONSIDERATIONS

Section 8.1 of the Original Bidder's Statement sets out some Australian taxation consequences for Polaris Shareholders, notably regarding the availability of scrip for scrip capital gains tax rollover relief.

As a result of the introduction of the cash component of the consideration for the Share Offer, if in fact scrip for scrip rollover relief becomes available for a Polaris Shareholder, the cash component will be treated as "ineligible proceeds". Scrip for scrip rollover relief will not be available for that portion of the consideration to which the cash component is attributable. The capital gain will be calculated based on the cash consideration less the cost base of Polaris Shares attributable to the cash component. A Polaris Shareholder may be entitled to a capital gains tax discount if the shares are held for more than 12 months – please refer to Section 8.1 of the Original Bidder's Statement.

MRL reiterates that given the complexity of the taxation legislation, Polaris Shareholders should seek independent taxation advice regarding the tax consequences of disposing of Polaris Shares given the particular circumstances which apply to them.

8. POLARIS DIRECTORS HAVE ACCEPTED THE OFFERS

As announced to ASX on 6 October 2009, each of the directors of Polaris has accepted the Offers by MRL in respect of all of the Polaris Shares and Polaris Options which they hold or control.

9. AGREEMENT WITH HANCOCK PROSPECTING PTY LTD – NICHOLAS DOWNS MANGANESE OPERATION

As announced to ASX on 12 October 2009, MRL has reached agreement with Hancock Prospecting Pty Ltd (HPPL) for the commencement of operations at the Nicholas Downs manganese operation from March 2010. The timetable will see MRL mobilize processing plant and equipment to HPPL's Nicholas Downs site in January 2010.

10. CONCLUSION

MRL encourages you to consider all information that has either been sent to you or is included in this Second Supplementary Bidder's Statement, and to **ACCEPT** MRL's Offers.

On successful completion of the Offer both sets of shareholders will be able to jointly participate in the development of Mineral Resources, a company with a strong reputation, balance sheet, and track record of sustained success across its substantial and profitable portfolio of diverse contracting and commodity processing operations.

Polaris shareholders, in accepting the MRL improved Offer, will retain their exposure to Polaris' assets, gain exposure to Mineral Resources' substantial portfolio of diverse mining services, iron ore and manganese operations. Further, they will enjoy the future benefits associated with the Mineral Resources' shareholder dividend policy, which currently provides that a minimum 50% of profits will be distributed to Mineral Resources' shareholders by way of dividends.

If you have any queries about the Offers or require assistance with your acceptance, please contact your financial advisor or call the offer information line on 1800 253 782 (callers within Australia) or +61 3 9415 4285 (callers outside Australia).

11. APPROVAL OF THE SECOND SUPPLEMENTARY BIDDER'S STATEMENT

This Second Supplementary Bidder's Statement is dated 16 October 2009 and was approved pursuant to a unanimous resolution passed at a meeting of the directors of MRL.

Signed for and on behalf of

Mineral Resources Limited



**Mr Bruce Goulds
Company Secretary**

ANNEXURE A – FINANCIAL INFORMATION

Pro Forma Merged Entity if MRL acquires 100% of Polaris at 30 June 2009

	Mineral Resources Audited Balance Sheet at 30 Jun 09	Polaris Metals Audited Balance Sheet at 30 Jun 09	Consolidation Entries	Proforma Consolidated Balance Sheet of the Merged Entity at 30 Jun 09
	\$'000	\$'000	\$'000	\$'000
<u>Current assets</u>				
Cash and cash equivalents	54,880	4,209	(13,616)	45,473
Trade and other receivables	36,777	411		37,188
Inventories	16,320			16,320
Other financial assets	188			188
Other	659			659
Total current assets	108,824	4,620	(13,616)	99,828
<u>Non current assets</u>				
Trade and other receivables	7			7
Available for sale financial assets	2,405	2,762		5,167
Investments accounted using the equity method	189			189
Other financial assets		241		241
Plant and equipment	157,033	425		157,458
Exploration and evaluation assets		23,498		23,498
Goodwill	10,235		92,737	102,972
Other intangible assets		26		26
Deferred tax assets	10,127			10,127
Total non current assets	179,996	26,952	92,737	299,685
Total assets	288,820	31,572	79,121	399,513
<u>Current liabilities</u>				
Trade and other payables	40,494	754		41,248
Financial lease liabilities	9,829			9,829
Income tax payable	5,000			5,000
Provisions	4,439	119		4,558
Total current liabilities	59,762	873	0	60,635
<u>Non current liabilities</u>				
Trade and other payables	13			13
Financial lease liabilities	11,692			11,692
Secured Loans	45,000			45,000
Provisions	12,698			12,698
Deferred tax liabilities	14,890			14,890
Total non current liabilities	84,293	0	0	84,293
Total liabilities	144,055	873	0	144,928
Net assets	144,765	30,699	79,121	254,585

<u>Equity</u>				
Issued capital	72,782	38,298	76,313	187,393
Reserves	4,456	6,943	(6,943)	4,456
Retained earnings	67,527	(14,542)	9,751	62,736
Total equity	<u>144,765</u>	<u>30,699</u>	<u>79,121</u>	<u>254,585</u>

Assumptions

MRL acquires 100% acceptance of the Polaris Shares and Polaris Options.

MRL is required by Australian equivalent of International Accounting Standards to consolidate Polaris.

Purchase consideration of \$123.436 million consists of:

	\$'000
New MRL Shares for POL Shares at MRL market value on 14 October 2009 of \$7.24	106,484
Cash consideration of \$0.05 per Polaris Share	8,825
New MRL Options for POL Options at fair value	8,127
Total Purchase Consideration	<u>123,436</u>

Assets and liabilities of Polaris represent fair value and will be taken into the books of MRL without alteration.

The balance after eliminating the equity of Polaris on the acquisition date represents the goodwill on the investment.

The after tax impact of expenses of the acquisition of \$3.179 million (including stamp duty) have been expensed in accordance with Australian Accounting Standard AASB3 Business Combinations.

In the event that MRL does not acquire 100% of Polaris but acquires 50.1% or more of Polaris, MRL will still be required to consolidate Polaris in its financial statements, based on the Australian equivalent of International Accounting Standards, taking into account any minority interests.