Appendix 4E: Preliminary Final Report

Name of entity

MIL Resources Limited
ABN 23 003 669 163

1 Reporting period

Report for the financial year ended 30 June 2010

2 Results for announcement to the market

					$A'000
2.1	Revenue from ordinary activities	up	N/A	to	35
2.2	Net loss from ordinary activities after tax attributable to members	up	32.8%	to	(894)
2.3	Net loss for the period attributable to members	up	32.8%	to	(894)

2.4 Dividends	*Amount per security*	*Franked amount per security*
Final dividend	Nil ¢	Nil ¢
Previous corresponding period	Nil ¢	Nil ¢

2.6 Brief explanation of any of the figures reported above necessary to enable the figures to be understood:	The attached Annual Report contains full details of the company's financial results for the year ended 30 June 2010

	2010	2009
9 Net Tangible Assets per ordinary share	0.025	0.034

This information is provided in accordance with Listing Rule 4.2A.3

MIL RESOURCES LIMITED
AND CONTROLLED ENTITIES

A.B.N 23 003 669 163

FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

MIL RESOURCES LIMITED

AND CONTROLLED ENTITIES
DIRECTORS' REPORT

Your Directors present their report on the Company and its controlled entities together with the financial report for the year ended 30 June 2010.

Principal Activities

The principal activities of the Group during the course of the year consisted of the pursuit of opportunities to invest in and develop a number of activities in the resources sector, these activities included:

- Earning of a 51% (and up to 90%) interest in the Amazon Bay Ironsands project in Papua New Guinea (PNG) and the carrying out of work programmes to better define the likely resource target, metallurgical work to establish the most effective process flowsheet and initial feasibility studies. The company earned an additional 13% during the course of the 2009/10 year through the additional investment of $650,000. As at 30 June 2010, MIL has earned a 38% interest in the Amazon Bay project;

- Carrying out work programmes and progressing exploration licence applications in respect of its 50% interest in Titan Metals which has a portfolio of EL's and ELAs in PNG prospective for gold, copper, molybdenum and nickel. Current focus is on work programmes on the Poi gold copper prospect which occurs as a well defined gold copper mineralized syenite ridge with alluvial gold draining the intrusive system;

Review of Operations

During the year the key operational activities of the economic entity were as follows:

The Chairman and Managing Director's Report provides a detailed explanation of the activities undertaken in the Iron Sands Project at Amazon Bay (**Titan Mines Limited)** and exploration on the tenements owned by **Titan Metals Limited** in the 2009/10 year.

Magnesite

The Company sold 468 tonnes of magnesite from its South Australian leases during the year. The Company has entered into an agreement to supply a further 3,000 tonnes of magnesite over the next 3 years.

Results of Operations

The consolidated Statement of Comprehensive Income shows a net loss from ordinary activities for the financial year of $894,215 compared with $672,624 in 2009.

Net cash inflows from operating, investing and financing activities were $399,235 compared to net cash outflows of $1,249,605 in 2009.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the economic entity.

Subsequent Events

The Company has entered into agreements to acquire the remaining 50% that it does not own of Titan Metals Limited subject to approval by shareholders at a general meeting proposed to be held on 30 September 2010. The consideration for the acquisition is the issue of 66,666,666 fully paid ordinary shares in the Company and the further issue of 33,333,333 converting preference shares that convert into ordinary shares on a 1 for 1 basis in MIL Resources conditional upon MIL Resources shares trading on the ASX within 5 years for a continuous period of 30 days at a price determined by a formula, currently estimated to be 4 cents.

The Group has invested a further $200,000 in Titan Mines Limited taking its interest to 42% as at the date of this report.

Apart from the above, the directors are not aware of any significant events in the Group occurring since the year ended 30 June 2010.

Environmental Regulation

The economic entity's operations are subject to normal environmental regulations under Australian and overseas legislation in relation to its mining exploration and other activities. The Directors believe that the economic entity has adequate systems in place for the management of its environmental requirements and are not aware of any significant breaches of those environmental requirements during the period covered by this report.

Dividends

No dividends have been declared or paid since the start of the financial period and the Directors do not recommend the payment of a final dividend for the year ended 30 June 2010 (2009: $nil).

Directors

The names of the Directors of the Company during or since the end of the financial year are:

Patrick Elliott – BCom, MBA, CPA
Chairman and Managing Director

Mr Elliott, has over 35 years experience in investment, financial and industrial management, having previously been with Consolidated Goldfields Australia Limited, Morgan Grenfell Australia Limited and Natcorp Investments Limited. Mr Elliott is also a Director of Argonaut Resources NL, Australia Oriental Minerals NL, Acuvax Limited, Crossland Uranium Mines Limited, Global Geoscience Limited and Platsearch NL. Mr Elliott has been a Director since 1991 and became Managing Director on 31 January 2006 and Chairman in March 2006. He is also a director of a number of private industrial companies.

James Beecher – BCom, MBA, FCPA, FAICD
Company Secretary and Executive Director

Mr Beecher was appointed Company Secretary in July 2004 and a Director in September 2005. Mr Beecher has over 30 years experience in senior finance, accounting and secretarial positions in resources, financial services and services companies. He is currently also a Director of NuCoal Resources NL and US Masters Holdings Ltd. He is the Deputy Chair of the Australian Institute of Company Directors' Reporting Committee.

John Haggman – BSc, AIG
Executive Director

Mr Haggman graduated with a Bachelor of Science in geology from Macquarie University, Sydney in 1986 and is a Member of the Australian Institute of Geoscientists. He has more than 22 years international experience as a senior geologist, country manager, exploration manager, vice-president exploration and director of companies involved in mineral exploration in Australia, South East Asia, New Zealand, PNG, South and Central America, India, China and USA. These companies include Cyprus Gold Australia, Arimco N.L, Climax Mining Ltd, and King Engle Resources Pty Limited. He has been closely associated with the teams responsible for the discovery and feasibility studies of Selwyn-Starra (Qld), Junction Reefs (NSW) and Dinkidi (Philippines) ore bodies. Mr Haggman was appointed a director on 26 June 2008.

Malcolm Richmond – BSc (Hons), BCom, FAIMM, ATSE
Non-Executive Director

Professor Richmond is visiting Professor of Business and Professor of Engineering at the University of Western Australia, and a former member of the Senate at Murdoch University. Professor Richmond, a metallurgist by profession, was with the CRA / Rio Tinto Group for 26 years. He worked for CRA/Rio Tinto in a number of positions including: Vice President Strategy and Acquisitions; Managing Director Research and Technology and Managing Director Development, Hamersley Iron Pty Limited. Professor Richmond has been a non-executive Director since 2001. Mr Richmond is and has been a Director of Advance Breaking Technology Ltd, Territory Iron, Strike Resources Ltd, and Structural Monitoring Systems.

Directors Meetings

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member).

	Board of Directors		Audit Committee		Remuneration & Nominations Committee	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**
PJD Elliott	14	14	2	2	-	-
JD Beecher	14	14	2	2	-	-
MR Richmond	14	14	2	2	-	-
JA Haggman	14	14	2	2	-	-

Share options

The members at the 2009 Annual General Meeting voted to grant & vest 10 million unlisted options in total to the directors of the Company. No other share options were granted by MIL Resources Limited to key management personnel during 2009 as remuneration.

Unlisted options over ordinary shares at the date of this report

Shares	Exercise Price	Expiry Date
600,000	Various	30 June 2011
300,000	$1.38	30 June 2011
100,000	$1.20	30 June 2011
150,000	$2.00	31 October 2012
100,000	$1.16	30 June 2011
500,000	$1.50	30 June 2011
150,000	$1.34	30 June 2011
10,000,000	$0.06	30 September 2014
11,900,000		

Shares issued on exercise of options

183 ordinary shares and 183 unlisted secondary 15 cent options were issued as a result of the exercise of 183 listed primary options during the year.

No ordinary shares of MIL Resources Limited were issued and paid for during or since the end of the year as a result of the exercise of unlisted options.

Performance shares

As part of the consideration for the purchase of Titan Metals Limited the Company agreed to issue 6,000,000 shares in the Company to John Haggman, Paul Joyce, and Rob Reynolds upon one of the following conditions being satisfied;

- The Company's shares trade above 12.5 cents for a continuous period of 30 days, or
- A JORC compliant resource (including some in the Indicated Category) with an "in-ground" value in excess of US$500 million arising from at least one of the Titan Metals current ELAs, or
- Titan Metals undertakes an IPO or listing prior to MIL expending A$700,000 that provides MIL with shares to a value of at least 200% of the sum of MIL's expenditure plus $300,000.

As at 30 June 2010, MIL had expended A$700,000 in Titan Metals projects. As a consequence of the 3 for 4 rights pro-rata entitlement offer during the year and provisions of ASX Listing Rule 6.22 the vesting exercise price in (i) above has been amended to 11.6 cents. These conditions have not been met at the date of this report.

Listed options over ordinary shares at the date of this report

There were 61,328,928 listed options and 11,900,183 unlisted options over ordinary shares at the date of this report. During the year 1 million listed options were issued.

Auditor's Independence Declaration

The auditor's independence declaration in relation to the audit for the financial year is provided on page 23 of this report as required under Section 307C of the Corporations Act.

Non-audit Services

During the year KPMG, the Company's auditor, has performed no other services in addition to their statutory duties.

Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit services provided during the year are set out below:

	Consolidated	
	2010	**2009**
Statutory audit	$	$
Auditors of the Company		
- Audit and review of financial reports	42,798	45,990
Total	**42,798**	**45,990**

REMUNERATION REPORT

Principles of Remuneration

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel include directors and the five most highly remunerated directors and executives (as required by S300A of the Corporations Act) for the Group. The Board remuneration policy is to ensure the remuneration packages properly reflects the duties and responsibilities of the director.

The Company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

Director Pay
Pay and reward framework for Directors (Executive & Non-Executive) has four components:-

- Consulting fees for Executive Directors;
- Base pay and benefits for Non-Executive Directors;
- Long term incentives through Directors options; and
- Other remuneration such as superannuation for Non-Executive Directors.

Retirement allowances for Directors
The Company pays contributions to nominated superannuation funds for Non-Executive Directors as retirement allowances. No retirement allowances are provided for Executive Directors.

Benefits
Executives receive no benefits outside of the consulting fees, base pay, options and superannuation disclosed in this report. No short term or long term incentives have been paid in the period (2009: nil).

Executive Director Remuneration
The remuneration structure for executive officers and Directors, including executive Directors, seeks to emphasise payment for results through providing individual reward arrangements, for example the use of share options as disclosed in the Directors Report.

The objective of the individual reward arrangements is to both reinforce the short and long term goals of the company and to provide a common interest between management and shareholders.

All Directors are now engaged on a consultancy basis in order to preserve the Company's cash.

Non-Executive Director Remuneration
Fees paid to Non-Executive Directors reflect their responsibilities and the demands placed on individual Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board. The Board seeks to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market.

Professor Richmond receives non-executive director's fees of $40,000 per annum plus superannuation guarantee payments to his nominated superannuation fund in addition to any consultancy fees he is paid to perform extra services.

Variable Remuneration

There is no variable remuneration.

Employment contracts

As at 30 June 2010 there are no Executive contracts in place.
All key management personnel, including the directors are engaged on a consulting basis with no fixed terms.

Key management personnel remuneration

Directors		Short-Term			Post Employ-ment	Share based payments	Total
		Salary and Fees $	Consul-ting Fees $	Other benefits $	Super-annuation $	Options (i) $	$
JD Beecher	2010	-	119,000	-	-	44,750	163,750
	2009	-	52,500	-	-	-	52,500
PJD Elliott	2010	-	42,000	-	-	44,750	86,750
	2009	-	56,000	-	-	-	56,000
MR Richmond	2010	40,000	59,000	-	3,600	44,750	147,350
	2009	40,000	-	-	3,600	-	43,600
JA Haggman	2010	-	103,000	-	-	44,750	147,750
	2009	-	72,000	-	-	-	72,000
Former key management personnel							
P Cameron (ii)	2010	-	-	-	-	-	-
	2009	-	28,209	-	-	-	28,209
Compensation: key management personnel	2010	40,000	323,000	-	3,600	179,000	545,600
	2009	40,000	208,709	-	3,600	-	252,309

(i) At the 2009 Annual General Meeting, members approved the issue of 2.5 million options to each director, 10 million in total, which resulted in the recording of a share option expense calculated using the Black-Scholes Option model of $179,000 (2009:nil) This calculated amount was not received by any Director. The options are exercisable at the strike price of 6 cents.

(ii) Peter Cameron ceased to be employed by the Company on 10 December 2008.

There is no remuneration which is performance based.

Options granted during the year

	Number of Options granted during the year	**Grant Date**	**Fair value per option at grant date**	**Exercise price per option**	**Expiry date**	**Number of these options vested during the year**
JD Beecher	2,500,000	30/10/2009	$0.0179	$0.06	30/9/2014	2,500,000
PJD Elliott	2,500,000	30/10/2009	$0.0179	$0.06	30/9/2014	2,500,000
MR Richmond	2,500,000	30/10/2009	$0.0179	$0.06	30/9/2014	2,500,000
JA Haggman	2,500,000	30/10/2009	$0.0179	$0.06	30/9/2014	2,500,000

Details of vesting profiles of the options granted as remuneration to each key management person of the Group are detailed below:

	Options granted		**Financial year in which options vested**
Directors	**Number**	**Date**	
JD Beecher	100,000	31/10/2005	2005/06
	2,500,000	30/10/2009	2009/10
PJD Elliott	150,000	14/09/2004	-
	2,500,000	30/10/2009	2009/10
MR Richmond	150,000	13/09/2004	-
	2,500,000	30/10/2009	2009/10
JA Haggman	2,500,000	30/10/2009	2009/10

No director options were forfeited during the year.

Interests in shares or options – key management personnel

The relevant interest of each key management person in the shares and options issued by the companies within the Group, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act, 2001, at the date of this report is as follows :

Movements in shares

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

	Held at 1 July 2009	**Purchases**	**Sales**	**Held at 30 June 2010**
Directors				
PJD Elliott	387,136	2,337,627	-	2,724,763
JD Beecher	513,768	385,326	-	899,094
MR Richmond	-	1,213,200	-	1,213,200
JA Haggman	6,400,000	4,800,000	-	11,200,000

	Held at 1 July 2008	**Purchases**	**Sales**	**Held at 30 June 2009**
Directors				
PJD Elliott	387,136	-	-	387,136
JD Beecher	513,768	-	-	513,768
MR Richmond	-	-	-	-
JA Haggman	6,400,000	-	-	6,400,000

Listed and unlisted options

The movement during the reporting period in the number of listed and unlisted options in MIL Resources Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

		Held at 1 July 2009	Granted	Exercised	Other changes	Held at 30 June 2010	Vested and exercisable at 30 June 2010
Directors							
PJD Elliott	Listed	87,985	-	-	-	87,985	87,985
	Unlisted	150,000	2,500,000	-	-	2,650,000	2,500,000
JD Beecher	Listed	12,152	-	-	-	12,152	12,152
	Unlisted	100,000	2,500,000	-	-	2,600,000	2,600,000
MR Richmond	Listed	-	-	-	-	-	-
	Unlisted	150,000	2,500,000	-	-	2,650,000	2,500,000
JA Haggman	Listed	3,000,000	-	-	-	3,000,000	3,000,000
	Unlisted	-	2,500,000	-	-	2,500,000	2,500,000

		Held at 1 July 2008	Granted	Exercised	Other changes	Held at 30 June 2009	Vested and exercisable at 30 June 2009
Directors							
PJD Elliott	Listed	87,985	-	-	-	87,985	87,985
	Unlisted	150,000	-	-	-	150,000	-
JD Beecher	Listed	12,152	-	-	-	12,152	12,152
	Unlisted	100,000	-	-	-	100,000	100,000
MR Richmond	Listed	-	-	-	-	-	-
	Unlisted	150,000	-	-	-	150,000	-
JA Haggman	Listed	3,000,000	-	-	-	3,000,000	3,000,000
	Unlisted	-	-	-	-	-	-

Modification of terms of equity-settled share-based transactions

No terms of equity settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or prior period.

INDEMNIFICATION OF OFFICERS AND AUDITORS

Indemnification

The Company has indemnified or agreed to indemnify each Director and all officers of the company or of any related body corporate against a liability incurred when such an officer acts in accordance with section 199A of the Corporations Act 2001.

The Company has not indemnified or agreed to indemnify the auditor of the Company or of any related body corporate against a liability incurred by the auditor.

Insurance Policies

Since the end of the previous financial year the ultimate parent entity has paid premiums in respect of Directors' and officers' liability and legal expenses insurance contracts. Such insurance contracts insure against certain liabilities (subject to specific exclusions) for persons who are or have been Directors or officers of the economic entity.

Directors have not included details of the nature of the liabilities covered, or the amount of the premium paid, as such disclosure is prohibited under the terms of the contract.

Dated at Sydney Australia this 31st day of August 2010.

Signed in accordance with a resolution of the directors.

PJD Elliott
Director

The Company's has followed the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council to the extent appropriate for the size and nature of its business.

Set out below are statements disclosing the extent to which the Company has followed the Recommendations in the reporting period and where Recommendations have not been followed reasons for not following them.

Principle 1: Lay solid foundations for management and oversight

The Company has a Board (1 non-executive Director, 2 executive directors plus the Managing Director) with the Managing Director managing activities; roles and functions are flexible in order to meet specific requirements.

The Company has adopted a Board Charter, which sets out the Board and management's responsibilities:

> The Board is responsible for identifying obligations and expectations, both regulatory and ethical, of shareholders, regulators, creditors and others.
>
> The Board is responsible to ensure that these expectations and obligations are met to the extent the Company's resources allow. This may include meeting promised milestones and financial estimates.
>
> The responsibility for the operation and administration of the Company has been delegated to the Managing Director.
>
> He is assisted by the Directors and consultants and contractors in the areas of engineering, financial, management, accounting, modelling and company secretarial matters.

Apart from this Charter the Company has not in detail formalised the functions reserved to the Board and those delegated to management.

Performance of senior executives including executive directors is evaluated subjectively by the Managing Director on a continuing basis. This process has taken place in the reporting period.

Principle 2: Structure the board to add value

The Company does not currently comply with the recommendations in Section 2.1 and 2.2 that a majority of Directors and the Chair should be independent directors and in Section 2.3 in that Mr Elliott is both chair and CEO. The Company is managed by a small number of executive directors. The Company has had the corporate strategy of preserving and conserving cash. The Company is of a size where engaging additional directors is not considered as promoting shareholder value.

Performance of the Board, Board committees and directors is evaluated subjectively by the Managing Director on a continuing basis. This process has taken place in the reporting period.

The skills, experience and expertise relevant, to the position of director held by each director in office at the date of the annual report are:

Patrick Elliott – BCom, MBA, CPA

> Mr Elliott, has over 35 years experience in investment, financial and industrial management, having previously been with Consolidated Goldfields Australia Limited, Morgan Grenfell Australia Limited and Natcorp Investments Limited. Mr Elliott is also a Director of Argonaut Resources NL, Australia Oriental Minerals NL, Acuvax Limited, Crossland Uranium Mines Limited, Global Geoscience Limited and Platsearch NL. Mr Elliott has been a Director since 1991 and became Managing Director on 31 January 2006 and Chairman in March 2006. He is also a director of a number of private industrial companies.

James Beecher – BCom, MBA, FCPA, FAICD

Mr Beecher has over 30 years experience in senior finance, accounting and secretarial positions in resources, financial services and services companies. Mr Beecher was appointed a Director in September 2005. He is currently also a Director of NuCoal Resources NL and US Masters Holdings Ltd. He is the Deputy Chair of the Australian Institute of Company Directors' Reporting Committee.

John Haggman – BSc, AIG

Mr Haggman graduated with a Bachelor of Science in geology from Macquarie University, Sydney in 1986 and is a Member of the Australian Institute of Geoscientists. He has more than 22 years international experience as a senior geologist, country manager, exploration manager, vice-president exploration and director of companies involved in mineral exploration in Australia, South East Asia, New Zealand, PNG, South and Central America, India, China and USA. These companies include Cyprus Gold Australia, Arimco N.L, Climax Mining Ltd, and King Engle Resources Pty Limited. He has been closely associated with the teams responsible for the discovery and feasibility studies of Selwyn-Starra (Qld), Junction Reefs (NSW) and Dinkidi (Philippines) ore bodies. Mr Haggman was appointed a Director in 2008.

Malcolm Richmond – BSc (Hons), BCom, FAIMM, ATSE – Independent Director

Professor Richmond is visiting Professor of Business and Professor of Engineering at the University of Western Australia, and a former member of the Senate at Murdoch University. Professor Richmond, a metallurgist by profession, was with the CRA / Rio Tinto Group for 26 years. He worked for CRA/Rio Tinto in a number of positions including: Vice President Strategy and Acquisitions; Managing Director Research and Technology and Managing Director Development, Hamersley Iron Pty Limited. Professor Richmond has been a Director since 2001. Mr Richmond is and has been a Director of Advance Breaking Technology Ltd, Territory Iron, Strike Resources Ltd, and Structural Monitoring Systems. Professor Richmond was appointed a Director in 2002.

The Company has not established materiality thresholds as every payment, apart from those relating to themselves, are approved by the Managing Director and Company Secretary. All payments in respect of the Managing Director are ratified by the Board.

The Remuneration and Nominations Committee comprises Mr Elliott and Professor Richmond. There have been no meetings of the Committee during the year as these matters have been the subject of discussion and consideration by the Board and at Board meetings.

Each Director of the Company has the right to seek independent professional advice at the expense of the Company. Prior approval of the Chairman is required, but this will not be unreasonably withheld.

Principle 3: Promote ethical and responsible decision-making

The Company has established a policy concerning trading in its securities by Directors, officers, staff and consultants which restricts trading to periods where they are not in possession of price sensitive information.

The Company does not have a formal code of conduct, again reflecting the Company's small size and the close interaction of the small number of individuals throughout the organisation.

Principle 4: Safeguard integrity in financial reporting

The Managing Director and the personnel responsible for producing the financial results have declared in writing to the board that the financial records of the Company for the financial year have been properly maintained, the Company's financial reports for the year ended 30 June 2010 comply with accounting standards and present a true and fair view of the Company's financial condition and operational results.

The Audit Committee, which had a formal charter approved by the Board, now comprises the Board as a whole. As there are only 4 directors it is appropriate that the full Board comprise the Audit Committee. As the Company does not have a majority of independent directors the Audit Committee cannot be structured to consist of only non executive directors and a majority of independent directors. As the full Board comprises the Audit Committee the Chair is the non independent chair of the Board.

The Company's auditor, KPMG was appointed in 1989 and a new engagement partner was appointed in June 2008.

Principle 5: Make timely and balanced disclosure

The Company, its Directors and staff are aware of continuous disclosure requirements and operate in an environment where strong emphasis is placed on full and appropriate disclosure. The Company does not have formal written policies regarding disclosure, but uses strong informal systems carried out by experienced individuals.

Principle 6: Respect the rights of shareholders

The Company does not have a formal written communications strategy to promote effective communication with shareholders, as it believes this is excessive for small companies. The Company communicates regularly with shareholders via its website and timely announcements to the ASX. Communications strategy is a standing item discussed at Board meetings.

Principle 7: Recognise and manage risk

The Company is a small company and does not believe that there is significant need for formal policies on risk oversight and management. However there is in place an operational committee to oversee the risk oversight and management of the projects operating in Titan Mines Limited and Titan Metals Limited.

Risk management arrangements are the responsibility of the Board of Directors and senior management collectively. Management and the Board consider the effectiveness of the Company's management of its material business risks.

The Managing Director and the personnel responsible for producing the financial results have declared in writing to the Board that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and the system is operating effectively in all material respects in relation to financial reporting risks.

Principle 8: Remunerate fairly and responsibly

The Remuneration and Nominations Committee comprises Mr Elliott and Professor Richmond. There have been no meetings of the Committee during the year as these matters have been the subject of discussion and consideration by the Board and at Board meetings.

The Board Remuneration and Nominations Committee determines remuneration levels on an individual basis. Directors believe that the size of the Company makes individual salary negotiation more appropriate than formal remuneration policies.

The Company discloses the fees paid to all Directors and executive officers of the company in this Annual Report.

The Company has an Employee Share Option Plan, which was introduced in 2001, following approval from shareholders. No shares or Options have been issued under this Plan in this or the previous reporting period.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of MIL Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2010 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Anthony Jones
Partner

Sydney

31 August 2010

MIL RESOURCES LIMITED
AND CONTROLLED ENTITIES
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		$	$
Revenue	5	35,385	-
Cost of Sales		(18,166)	-
Gross Profit		17,219	
Other Income	6	-	28,267
Consultants expenses		(432,306)	(415,061)
Corporate expenses		(46,037)	(22,501)
Employment expenses	7	(45,761)	(43,969)
Director share option expense		(179,000)	-
Occupancy expenses		(60,744)	(54,861)
Administrative expenses		(50,071)	(40,446)
Insurance expenses		(24,693)	(29,521)
Travel expenses		(23,550)	(23,197)
Depreciation	16	(3,796)	(7,710)
Other operating expenses		(127,524)	(101,231)
Operating loss before financing costs		**(976,263)**	**(710,230)**
Financial income	9	143,974	168,603
Financial expenses	9	(1,297)	(872)
Net financing costs		142,677	167,731
Share of loss of equity accounted investees, net of income tax	24	(60,629)	(130,125)
Loss before Tax		**(894,215)**	**(672,624)**
Income tax expense	10	-	-
Net Loss for the year		**(894,215)**	**(672,624)**
Other comprehensive income		-	-
Total comprehensive income for the year		**(894,215)**	**(672,624)**
Basic and diluted loss per share	11	(0.37)	(0.42)

The Statement of Comprehensive Income is to be read in conjunction with the notes set out on pages 28 to 58

MIL RESOURCES LIMITED
AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	Share Capital	Share Reserve	Retained losses	Total
		$	$	$	$
Balance at 1 July 2008		96,990,077	554,390	(91,511,669)	6,032,798
Net loss for the year		-	-	(672,624)	(672,624)
Other comprehensive income		-	-	-	-
Total comprehensive (expense) for the period		-	-	(672,624)	(672,624)
Total transactions with owners recorded directly in equity		-	-	-	-
Balance at 30 June 2009	**19**	**96,990,077**	**554,390**	**(92,184,293)**	**5,360,174**
Balance at 1 July 2009		96,990,077	554,390	(92,184,293)	5,360,174
Net loss for the year		-	-	(894,215)	(894,215)
Other comprehensive income		-	-	-	-
Total comprehensive (expense) for the period		**-**	**-**	**(894,215)**	**(894,215)**
Shares issued		2,098,857	-	-	2,098,857
Share compensation expense		-	179,000	-	179,000
Total transactions with owners recorded directly in equity		**2,098,857**	**179,000**	**-**	**2,277,857**
Balance at 30 June 2010	**19**	**99,088,934**	**733,390**	**(93,078,508)**	**6,743,816**

The Statement of Changes in Equity is to be read in conjunction with the notes set out on page 28 to 58.

MIL RESOURCES LIMITED
AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	Note	2010	2009
		$	$
CURRENT ASSETS			
Cash and cash equivalents	12	2,799,019	2,399,784
Trade and other receivables	14	168,473	165,347
Inventory		4,720	16,911
TOTAL CURRENT ASSETS		2,972,212	2,582,042
NON-CURRENT ASSETS			
Investment in Associates	24	3,948,695	3,359,324
Property, plant and equipment	16	6,185	9,981
TOTAL NON-CURRENT ASSETS		3,954,880	3,369,305
TOTAL ASSETS		**6,927,092**	**5,951,347**
CURRENT LIABILITIES			
Trade and other payables	17	183,276	591,173
TOTAL CURRENT LIABILITIES		183,276	591,173
TOTAL LIABILITIES		**183,276**	**591,173**
NET ASSETS		**6,743,816**	**5,360,174**
EQUITY			
Issued capital	19	99,088,934	96,990,077
Share reserve		733,390	554,390
Retained losses		(93,078,508)	(92,184,293)
TOTAL EQUITY		**6,743,816**	**5,360,174**

The Statement of Financial Position are to be read in conjunction with the notes set out on pages 28 to 58.

MIL RESOURCES LIMITED
AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010

	Note	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		$	$
Cash paid to suppliers and employees		(760,367)	(829,459)
Cash receipts in the course of operations		38,650	173,464
Net cash used in operating activities	**25**	**(721,717)**	**(655,995)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		-	(10,070)
Interest received		132,792	141,849
Interest paid		(1,297)	(872)
Loan to Associate		(40,000)	-
Payments for funding of equity accounted investments		(1,080,400)	(762,784)
Proceeds from disposal of property, plant and equipment		11,000	38,267
Net cash by/(used in) investing activities		**(977,905)**	**(593,610)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of share capital		2,270,255	-
Payment of share issue costs		(171,398)	-
Net cash provided by (used in) financing activities		**2,098,857**	**-**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		399,235	(1,249,605)
Cash and cash equivalents at 1 July		2,399,784	3,649,389
Cash and cash equivalents at 30 June		**2,799,019**	**2,399,784**

The Statement of cash flows are to be read in conjunction with the notes set out on pages 28 to 58.

Notes to the financial statements

1. Reporting Entity

MIL Resources Limited (the "Company") is a listed public company, incorporated and domiciled in Australia. The address of the Company's registered office is Suite 2, Level 3, 9-13 Young Street, Sydney, NSW 2000. The consolidated financial statements as at and for the year ended 30 June 2010 comprises the Company and its subsidiaries ("the Group") and the Group's interest in associates and jointly controlled entities.

2. Basis of preparation

(a) Statement of compliance

The financial report is a general purpose report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Accounting interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial report of the Group complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

This report should also be read in conjunction with public announcements made by MIL Resources Limited during the year in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The consolidated financial report was authorised for issue by the directors on 31st August 2010.

(b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

(c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the functional currency of the Group.

(d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(e) Changes in accounting policies

Overview

Starting as of 1 July 2009, the Group has changed its accounting policies in the following areas as a result of changes in accounting standards:

- Determination and presentation of operating segments
- Presentation of financial statements

3. Significant accounting policies

The Group has adopted revised AASB3 Business Combinations (2008) and amended AASB 127 Consolidated and Separate Financial Statements (2008) for business combinations occurring on or after 1 July 2009.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Joint ventures

Joint Ventures are those entities over whose activities the group has joint control, established by contractual agreement.

In the consolidated financial statements, investments in jointly controlled entities are accounted for using equity accounting principles. Investments in joint venture entities are carried at the lower of the equity accounted amount and recoverable amount.

The group's share of the jointly controlled entity's net profit or loss is recognised in the consolidated statement of comprehensive income from the date joint control commenced until the date joint control ceases. Other movements in reserves are recognised directly in the consolidated reserves. In the Company's financial statements, investments in associated and joint controlled entities are carried at cost.

(iii) Associates and jointly controlled entities (equity accounting investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 to 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions.

Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

3. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Transactions eliminated on consolidation

Intra group balances and transactions, and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to Australian dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised directly in a separate component of equity.

(c) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: trade and other receivables.

3. Significant accounting policies (continued)

(c) Financial instruments (continued)

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(ii) Non-derivative financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest rate method.

(iii) Share capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Preference Share Capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity upon declaration by the directors.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

(d) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 3h). Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

3. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(ii) Subsequent costs

The group recognises in the carrying amount of an item of property, 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 group and the cost of the item can be measured reliably. All other costs are recognised in the statement of comprehensive income as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives in the current and comparative periods are as follows:

a.	Buildings	40 years
b.	Plant and equipment	2 ½ to 8 years
c.	Fixtures and fittings	2 ½ to 8 years

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

(e) Intangible assets

(i) Goodwill

Change in accounting policy

As from 1 July 2009, the Group has adopted the revised AASB 3 Business Combinations (2008) and the amended AASB 127 Consolidated and Separate Financial Statements (2008). Revised AASB 3 and amended AASB 127 have been applied prospectively to business combinations with an acquisition date on or after 1 July 2009.

Acquisitions of non-controlling interests
Acquisitions of non-controlling interests are accounted for as transactions with equity holders in their capacity as equity holders and therefore no goodwill is recognised as a result of such transactions.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted investee.

3. Significant accounting policies (continued)

(e) Intangible assets (continued)

(ii) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income as an expense as incurred.
Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the statement of comprehensive income as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy 3h).

(iii) Subsequent expenditure

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

(f) Exploration and evaluation assets

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the group has obtained the legal rights to explore an area are recognised in the statement of comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

(1) the expenditures are expected to be recouped through successful development and exploitation of the area of interest; or

(2) activities in the area of interest have not at the reporting date, reached a state which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment, accounting policy 3h). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash-generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from intangible assets to mining property and development assets within property, plant and equipment.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3. Significant accounting policies (continued)

(h) Impairment

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit"). Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes.

Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows. If there is an indication that a corporate asset may be impaired, then the recoverable amount is determined for the CGU to which the corporate asset belongs.

3. Significant accounting policies (continued)

(h) Impairment (continued)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

(i) Employee benefits

(i) Share-based payment transactions

The share option program allows group executives to acquire shares of the Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. Fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black Scholes model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an 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.

(ii) Employee benefits

Liabilities for employee entitlements for wages, salaries and annual leave that are expected to be settled within twelve months of the reporting date represent present obligations resulting from employees' services up to reporting date, calculated on undiscounted amounts based on current wage and salary rates, including related on-costs. Obligations for contributions to employee superannuation plans are recognized as an expense in the statement of comprehensive income as incurred. Non-accumulating non-monetary benefits, such as medical care, housing or cars, are expensed based on the net marginal cost to the group as the benefits are taken by the employees.

(j) Provisions

Provisions are recognised in the statement of financial position when the group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

3. Significant accounting policies (continued)

(k) Revenue

(i) Goods sold and services rendered

Revenue from the sale of goods is recognised in the statement of comprehensive income when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognized if there are significant uncertainties regarding recovery of the consideration due, there is a risk of return of goods or there is continuing management involvement with the goods.

(l) Expenses

(i) Finance income & finance costs

Interest income and expense are recognised in the statement of comprehensive income as they accrue, using the effective interest method.

(ii) Operating lease payments

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

(m) Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the profit or loss except to the extent that it relates to items realised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date date and any adjustment to tax payable in respect of previous years.

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

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

Tax consolidation

Head Entity

The Company is the head entity in a tax-consolidated group comprising the Company and all of its Australian wholly owned subsidiaries. The implementation date of the tax consolidation system for the tax-consolidated group was 1 July 2003.

The members of the tax-consolidated group have not entered into tax funding arrangements or a tax sharing agreement dealing with the allocation of income tax liabilities should the head entity default on its obligations. Tax funding or sharing agreements are not considered to be currently relevant to the operations of the tax-consolidated group given the tax losses available to the group.

3. Significant accounting policies (continued)

(n) Goods and services tax

Revenue, expenses and assets are recognized 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 recognized 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 the ATO is included as a current asset in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from the ATO are classified as operating cash flows.

(o) Loss per share

The Group presents basic and diluted loss per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

(p) Segment reporting

Determination and presentation of operating segments

As of 1 July 2009 the Group determines and presents operating segments based on the information that internally is provided to the Board, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 *Operating Segments*. Previously operating segments were determined and presented in accordance with AASB 114 *Segment Reporting*.

Comparative segment information has been re-presented in conformity with the transitional requirements of such standard. Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's Board which is the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Corporate comprises all other activities mainly sale of magnesite, corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

3. **Significant accounting policies (continued)**

(q) Presentation of financial statements

The Group applies revised AASB 101 Presentation of Financial Statements (2007),which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on loss per share.

(r) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2010, but have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement.*
  AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.
- AASB 124 Related Party Disclosures (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for Group's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 Further amendments to Australian Accounting Standards arising from the Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-8 Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions resolves diversity in practice regarding the attribution of cash-settled share-based payments between different entities within a group. As a result of the amendments AI 8 Scope of AASB 2 and AI 11 AASB 2 Group and Treasury Share Transactions will be withdrawn from the application date. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2009-10 Amendments to Australian Accounting Standards - Classification of Rights Issue [AASB 132] (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the Group's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.

3. Significant accounting policies (continued)

(r) New standards and interpretations not yet adopted (continued)

- AASB 2009-14 Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement - AASB 14 make amendments to Interpretation 14 AASB 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements removing an unintended consequence arising from the treatment of the prepayments of future contributions in some circumstances when there is a minimum funding requirement. The amendments will become mandatory for the Group's 30 June 2012 financial statements, with retrospective application required. The amendments are not expected to have any impact on the financial statements.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Group's 30 June 2011 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

4. Financial risk management

Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and their management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk Management framework

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management arrangements are the responsibility of the Board of Directors and senior management collectively. Management and the Board consider the effectiveness of the Company's management of its material business risks.

The Managing Director and the personnel responsible for producing the financial results have declared in writing to the Board that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and the system is operating effectively in all material respects in relation to financial reporting risks

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group is exposed to credit risk in relation to receivables recorded in the statement of financial position. The management and Board do not expect any counter party to fail to meet its obligation.

Guarantees

The Group's policy is not to provide financial guarantees.

4. Financial risk management (continued)

Investments

The Group limits its exposure to credit risk by investing only in liquid securities and with counterparties that management does not expect to fail to meet its obligations. The Board requires management to have investments with more than one counterparty at all times, if practical.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate cash reserves from funds raised in the market and by continuously monitoring actual and forecast cash flows. The Group does not have any external borrowings.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency risk

The Group currently does not have any currency risk as no sales, purchases and borrowings are denominated in a currency other than the respective functional currency of the Group, being the Australian dollar (AUD). The associate companies – Titan Mines Limited and Titan Metals have currency exposures as all loans to them are currently denominated in Australian dollars but their functional currency is Papua New Guinean Kina.

Interest Rate Risk

The Group is exposed to interest rate risk on cash investments, which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rate on interest bearing financial instruments. The entity does not use derivatives to mitigate exposures.

The Group adopts a policy of ensuring that as far as possible it maintains excess cash and cash equivalents in short term deposits bearing interest income at commercial rates.

Capital management

The Board's policy is to maintain a sustainable capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

5. Revenue

	2010	2009
	$	$
Sale of magnesite	35,136	-
Other sales	249	-
Total Revenue	35,385	-

6. Other Income

	2010	2009
	$	$
Net gain on sale of property, plant and equipment	-	28,267
Total Other Income	-	28,267

7. Employment expenses

	2010	2009
	$	$
Directors fees	40,000	40,000
Superannuation	3,600	3,600
Other employment expenses	2,161	369
Total employment expenses	45,761	43,969

Employment expenses excludes consulting fees of $432,306 for 2010 (2009: $415,061)

8. Auditors remuneration

	2010	2009
Statutory audit		
Auditors of the Company	$	$
Audit and review of financial reports	42,798	45,990
Auditors remuneration	42,798	45,990

9. Net financing costs

	2010	2009
Financial income	$	$
Interest income	143,974	168,603
Interest expense and other financial costs	(1,297)	(872)
Net financing income	**142,677**	**167,731**

10. Income tax expense

Reconciliation between tax expense and pre Tax loss	2010 $	2009 $
Loss before tax	**(894,215)**	**(672,624)**
Income tax benefit @ 30%	(268,265)	(201,787)
Deferred tax assets not recognised	(268,265)	(201,787)
Income tax expense on pre-tax losses	-	-

Deferred tax
Unrecognised deferred tax assets
Deferred tax assets have not been recognised in respect of the following items:

	2010 $	2009 $
Tax losses	11,279,265	11,011,000

Deferred tax assets have not been recognised because it is not probable that future taxable profits will be available against which the Group can utilise the benefits there from.

11. Loss per share

Basic loss per share
The calculation of the basic and diluted loss per share at 30 June 2010 was based on the loss attributable to ordinary shareholders of $894,215 (2009: $672,624) and a weighted average number of ordinary shares outstanding during the year ended 30 June 2010 of 242,471,975 (2009: 159,698,641), calculated as follows:

	2010 $	2009 $
Loss attributable to ordinary shareholders	**(894,215)**	**(672,624)**
Weighted average number of ordinary shares		
	Numbers	**Numbers**
Issued shares at 1 July	159,698,641	159,698,641
Effect of shares issued 30 September 2009	72,534,678	-
Effect of shares issued 16 November 2009	10,238,562	-
Effect of shares issued 24 December 2009	94	-
Weighted average number at 30 June	**242,471,975**	**159,698,641**
Basic and diluted loss per share, cents	**(0.37)**	**(0.42)**

The basic and diluted loss per share are the same as a result of the Group's loss in the period

12. Cash and cash equivalents

	2010	2009
	$	$
Bank balances	549,019	99,784
Call deposits	2,250,000	2,300,000
Cash and cash equivalents in the statement of cash flows	2,799,019	2,399,784

The Group's exposure to interest rate risk and sensitivity analysis for financial assets and liabilities are disclosed in note 20

13. Segment reporting

The Group has 3 reportable segments, as described below, which are the Group's strategic business units.

The operating segments are undertaken in different geographic regions and have different risk/regulatory environments and therefore not similar economic characteristics.
The following summary describes the operations in each of the Group's reportable segments:-

- Iron Sands – this segment includes the Group's associate Titan Mines Limited which owns exploration licences in Papua New Guinea;
- Precious & Other Metals – this segment includes the Group's associate Titan Metals Limited, which owns exploration licences and exploration licence applications in Papua New Guinea; and
- Corporate – this segment includes all other activities, which are conducted in Australia, including the sale of magnesite and corporate assets and head office expenses, and income tax assets and liabilities.

Comparative segment information has been represented in conformity with the requirement of AASB 8 Operating Segments.

Information about reportable segments

	Iron Sands		Precious & other metals		Corporate		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	$	$	$	$	$	$	$	$
External revenues	-	-	-	-	35,385	-	35,385	-
Interest income	-	-	-	-	143,974	168,603	143,974	168,603
Interest expense	-	-	-	-	(1,297)	(872)	(1,297)	(872)
Depreciation and amortisation	-	-	-	-	(3,796)	(7,710)	(3,796)	(7,710)
Reportable segment loss before income tax	-	-	-	-	(833,586)	(542,499)	(833,586)	(542,499)
Share of loss of equity method investees	(33,866)	(27,023)	(26,763)	(103,102)	-	-	(60,629)	(130,125)
Reportable segments assets	-	-	-	-	2,978,397	2,592,023	2,978,397	2,592,023
Investment in associates	3,380,282	2,764,149	568,413	595,175	-	-	3,948,695	3,359,324
Capital expenditure	-	-	-	-	-	-	-	-
Reportable segment liabilities	-	-	-	-	183,276	591,173	183,276	591,173

Titan Mines Limited and Titan Metals Limited segments operate in Papua New Guinea. Corporate represents activities in Australia including the sale of magnesite, head office and corporate expenses.

14. Trade and other receivables

	2010	2009
Current	$	$
Trade receivables	-	11,000
Receivables from associates	128,886	100,813
Other receivables and prepayments	39,587	53,534
	168,473	165,347

The Group's exposure to credit risk and impairment losses related to trade and other receivables are disclosed in note 20.

15. Parent Entity Disclosures

	2010	2009
	$	$
Current Assets	2,920,031	3,265,077
Total Assets	7,121,721	6,080,527
Current Liabilities	183,276	601,174
Total Liabilities	198,278	601,174
Issued Capital	99,088,934	96,990,077
Reserves	733,390	554,390
Retained Losses	(92,065,113)	(92,065,114)
Loss for the year	(833,768)	(542,427)
Total Comprehensive Income	(833,768)	(542,427)

There are no guarantees entered into by the parent entity in relation to the debts of its subsidiaries.

There are no contingent liabilities of the parent entity.

The parent entity has not entered into any contractual commitments for the acquisition of property, plant or equipment.

16. Property, plant & equipment

Cost	Plant & Equipment $	Total $
Balance at 1 July 2008	263,594	263,594
Additions	10,070	10,070
Disposals	-	-
Foreign exchange movements	-	-
Balance at 30 June 2009	**273,664**	**273,664**
Balance at 1 July 2009	273,664	273,664
Additions	-	-
Disposals	-	-
Foreign exchange movements	-	-
Balance at 30 June 2010	**273,664**	**273,664**

	Plant & Equipment $	Total $
Depreciation and impairment losses		
Balance at 1 July 2008	(255,973)	(255,973)
Depreciation charge for the year	(7,710)	(7,710)
Disposals	-	-
Balance at 30 June 2009	**(263,683)**	**(263,683)**
Balance at 1 July 2009	(263,683)	(263,683)
Depreciation charge for the year	(3,796)	(3,796)
Disposals	-	-
Balance at 30 June 2010	**(267,479)**	**(267,479)**

Carrying amounts		
At 1 July 2008	7,621	7,621
At 30 June 2009	9,981	9,981
At 1 July 2009	9,981	9,981
At 30 June 2010	6,185	6,185

17. Trade and other payables

	2010	2009
	$	$
Trade payables	183,276	160,772
Amounts due to related parties		
- Titan Mines Limited	-	7,741
- Titan Metals Limited	-	422,660
	183,276	**591,173**

The Group's exposure to liquidity risk related to trade and other payables are disclosed in note 20.

18. Employee benefits

Employee benefits expense is recognised in the "employment costs" line in the statement of comprehensive income.

Summary of options on issue

Grant Date	Number of options	Exercise Price	Vesting conditions	Expiry Date
01/09/2004	600,000	Various	Financial Close	30/6/2011
01/09/2004	300,000	$1.38	Financial Close	30/6/2011
31/03/2005	100,000	$1.20	Financial Close	30/6/2011
19/09/2005	500,000	$1.50	Financial Close	30/6/2011
19/09/2005	150,000	$1.34	Financial Close	30/6/2011
31/10/2005	150,000	$2.00	On issue	31/10/2012
31/10/2005	100,000	$1.16	On issue	30/6/2011
3/11/2009	10,000,000	$0.06	On issue	30/9/2014
	11,900,000			

Financial Close

Financial Close is defined for the purposes of these options as the date upon which the Board resolves that commitments for equity and debt funding suitable and sufficient for the Company's magnesium smelter project have been accepted.

The Financial Close has not been achieved as at 30 June 2010.

18. Employee Benefits (continued)

Summary of Options

The number and weighted average exercise prices of share options are as follows:

	Weighted average	Number of options	Weighted average	Number of options '000
	2010		2009	
Outstanding at the beginning of the year	$1.32	2,090,200	$1.32	2,090,200
Forfeited during the year	$1.20	(190,200)	-	-
Granted during the year	$0.06	10,000,000	-	-
Outstanding at the end of the year	**$0.28**	**11,900,000**	**$1.32**	**2,090,200**
Options exercisable		**10,250,000**		**440,200**

The options outstanding at 30 June 2010 have exercise prices in the range from $0.06 to $2.00 and a weighted average contractual life of 6.00 years.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on the Black-Scholes model.

At the 2009 Annual General Meeting, members approved the issue of 2.5 million options to each director, 10 million in total, which resulted in the recording of a share option expense calculated using the Black-Scholes Option model of $179,000 (2009: nil) This calculated amount was not received by any Director. The options are exercisable at the strike price of 6 cents. The key inputs into the valuation model were volatility of 72% with reference to historical share price movements, option life of 1 year, risk free interest rate of 3.25% and weighted average share price of 3.59 cents

19. Capital and reserves

Share Capital

	Ordinary Shares (numbers)		Ordinary Shares ($)	
	2010	**2009**	**2010**	**2009**
On issue at 1 July	159,698,641	159,698,641	96,990,077	96,990,077
Non- Renounceable Issue	96,978,599	-	1,770,913	-
Placement	16,535,730	-	327,926	-
On exercise of options	183	-	18	-
On issue at 30 June	**273,213,153**	**159,698,641**	**99,088,934**	**96,990,077**

During the period

- 96,978,599 shares were issued under the rights issue at 2 cents;
- 16,535,730 shares were issued to overseas shareholders at 2 cents; and
- 183 primary 10 cents options were exercised.

19. Capital and reserves (continued)

During the period the following options were issued:-

- 1 million listed primary options exercisable at 10 cents with an expiry of 31 May 2012;
- 10 million unlisted director options at 6 cents with an expiry of 30 September 2014; and
- 183 secondary options at 15 cents with an expiry of 31 May 2015.

The Group has also issued the following listed and unlisted share options:-

Listed Options

Number of options	Exercise Price	Vesting conditions	Expiry Date
61,328,928	$0.10	On issue	31/5/2012

Unlisted Options

Number of options	Exercise Price	Vesting conditions	Expiry Date
600,000	Various	Financial Close	30/6/2011
300,000	$1.38	Financial Close	30/6/2011
100,000	$1.20	Financial Close	30/6/2011
500,000	$1.50	Financial Close	30/6/2011
150,000	$1.34	Financial Close	30/6/2011
150,000	$2.00	On issue	31/10/2012
100,000	$1.16	On issue	30/6/2011
183	$0.15	On issue	31/5/2015
10,000,000	$0.06	On issue	30/9/2014
11,900,183			

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Value of options issued

The value of options issued represents the cost of options issued that the Group is required to include in the consolidated financial statements. Share compensation expense for 2010 was $179,000 (2009: $nil). This reserve will be reversed against share capital if the underlying shares are exercised under share options.

Dividends

No dividends were paid or proposed in 2010 (2009 $: nil).

20. Financial instruments

a) Credit Risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	Note	2010	2009
Current		$	$
Trade receivables	14	168,473	165,347
Cash and cash equivalents	13	2,799,019	2,399,784
		2,967,492	2,565,131

Impairment losses

None of the Group's receivables are past due or impaired (2009: nil).

b) Market risk

i) Interest rate risk

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	2010		2009	
	Weighted average interest rate	**Total**	**Weighted average interest rate**	**Total**
Variable rate instruments		$		$
Cash & Cash Equivalents	4.8%	2,799,019	5.2%	2,399,784
	4.8%	2,799,019	5.2%	2,399,784

The effective interest rates for the cash and cash equivalents of the Group were 4.8% (2009: 5.2%).

Cash flow sensitivity analysis for variable rate instruments

A change in 100 base points in interest rates at the reporting date would have increased/(decreased) profit or loss by $29,995 (2009:$32,424). This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2009.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit and loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

ii) Foreign currency risk

The Group has no material foreign currency risk. New Guinea Iron Pty Ltd which is a subsidiary of the Company has invested in Titan Mines Limited and Titan Metals Limited which are treated in these accounts as associates, Their financial statements are prepared in Papua New Guinea Kina. The amounts payable to Titan Mines Limited and Titan Metals Limited are denominated in Australian dollars therefore the foreign exchange movements are accounted for in the financial statements of these associates.

c) Liquidity Risk

The following are the contractual maturities of financial liabilities:

30 June 2010

	Carrying amount	Contractual cash flow	12 Mths or less	1-2 years	2-5 years	More than 5 years
	$	$	$	$	$	$
Trade and other payables	183,276	183,276	183,276	-	-	-
	183,276	**183,276**	**183,276**	**-**	**-**	**-**

30 June 2009

	Carrying amount	Contractual cash flow	12 Mths or less	1-2 years	2-5 years	More than 5 years
	$	$	$	$	$	$
Trade and other payables	591,173	591,173	591,173	-	-	-
	591,173	**591,173**	**591,173**	**-**	**-**	**-**

d) Fair Values

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

Fair values

		2010		2009	
Consolidated		**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
	Note	$	$	$	$
Trade and other receivables	14	168,473	168,473	165,347	165,347
Cash & Cash Equivalents	12	2,799,019	2,799,019	2,399,784	2,399,784
Trade and other payables	17	(183,276)	(183,276)	(591,173)	(591,173)
		2,784,216	2,784,216	1,973,958	1,973,958
Unrecognised (losses)/ gains		-	-	-	-

All of the Group's financial instruments are stated at carrying amount.

21. Operating leases

Non-cancellable operating lease rentals are payable as follows:

	Consolidated	
	2010	**2009**
	$	**$**
Less than one year	49,892	31,923
Between one and five years	25,435	-
More than five years	-	-
	75,327	**31,923**

During the year ended 30 June 2010, $58,746 was recognised as an expense in the statement of comprehensive income in respect of operating leases (2009: $54,861).

22. Consolidated entities

		2010	2009
		%	**%**
Parent entity:	**Incorporated**	**Ownership interest**	
MIL Resources Limited	Australia		
Significant subsidiaries:			
SAMAG Pty Limited*	Australia	100	100
Magnesium Developments Pty Ltd*	Australia	100	100
New Guinea Iron Pty Ltd	Australia	100	100

* SAMAG Limited and Magnesium Developments Ltd have changed corporate status to proprietary companies which became effective 16 July 2009. As a result the companies names are now SAMAG Pty Limited and Magnesium Developments Pty Ltd.

23. Acquisition of subsidiary and associates

There have been no new acquisitions in the year to 30 June 2010.

During the course of the year the contractual obligations as at 1 July 2009 to Titan Mines Limited and Titan Metals Limited of $7,741 and $422,660 respectively have been met by New Guinea Iron Pty Ltd.

A further $690,000 has been advanced by the Company to New Guinea Iron Pty Ltd in meeting its commitments in accord with its contractual obligations to Titan Mines Limited and Titan Metals Limited in the period to 30 June 2010.

New Guinea Pty Ltd has been loaned $40,000 of the $690,000 mentioned above to Titan Metals Limited and $650,000 has been invested by New Guinea Iron Pty Ltd in Titan Mines Limited taking its equity share to 38%.

24. Equity accounting investees

The Group's share of loss in its equity accounted investees for the year was $60,629 (2009: $130,125).

Details of investments in associates are as follows;.

2010

Associates	Principal activity	Place of Incorporation	Reporting date	Ownership interest %	Share of net (loss) $	Equity accounted investment carrying amount $
Titan Mines Limited	Exploration	PNG	31 Dec	38%	(33,866)	3,380,282
Titan Metals Limited	Exploration	PNG	31 Dec	50%	(26,763)	568,413
Total					**(60,629)**	**3,948,695**

2009

Associates	Principal activity	Place of Incorporation	Reporting date	Ownership interest %	Share of net (loss) $	Equity accounted investment carrying amount $
Titan Mines Limited	Exploration	PNG	31 Dec	25%	(27,023)	2,764,149
Titan Metals Limited	Exploration	PNG	31 Dec	50%	(103,102)	595,175
Total					**(130,125)**	**3,359,324**

24. Equity accounting investees

Summary financial information for equity accounted investees not adjusted for the percentage ownership held by the Group.

	Ownership	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Revenues	Expenses	Profit/(loss)
2009										
Titan Mines Limited	25%	108,707	1,651,379	1,760,086	(193,814)	-	(193,814)	-	108,092	(108,092)
Titan Metals Limited	50%	374,338	189,046	563,384	(30,868)	-	(30,868)	-	206,205	(206,205)
		483,045	1,840,425	2,323,470	(224,682)	-	(224,682)	-	314,297	(314,297)
2010										
Titan Mines Limited	38%	17,570	1,604,880	1,622,450	(44,896)	-	(44,896)	-	139,939	(139,939)
Titan Metals Limited	50%	140,245	489,067	629,312	(80,483)	-	(80,483)	-	53,526	(53,526)
		157,815	2,093,947	2,251,762	(125,379)		(125,379)	-	193,465	(193,465)

25. Reconciliation of cash flows from operating activities

	2010	2009
Cash flows from operating activities	**$**	**$**
Operating Loss for the period	(894,215)	(672,624)
Adjustments for:		
Net financial income	(142,677)	(167,731)
Depreciation and amortisation	3,796	7,710
(Profit)/loss on the sale on non-current assets	-	(28,267)
Impairment of loans and investments (non cash)	-	-
Director share option expense	179,000	-
Shares of loss of equity accounted investees, net of income tax	60,629	130,125
Operating cash flow before changes in working capital and provisions	(793,467)	(730,787)
Decrease/(increase) in trade and other receivables	37,055	94,985
Decrease/(increase) in inventory	12,191	-
Increase/(decrease) in trade and other payables	22,504	(20,193)
Net cash used in operating activities	**(721,717)**	**(655,995)**

26. Related party disclosures

Key management personnel compensation

The key management personnel comprised:

	2010	2009
	$	$
Short term employee benefits	363,000	248,709
Post-employment benefits	3,600	3,600
Share based payments	179,000	-
	545,600	252,309

The Company's policy for determining the nature and amount of emoluments of board members and senior executives of the company is as follows:

The remuneration structure for executive officers and Directors, including executive Directors, seeks to emphasise payment for results through providing individual reward arrangements, for example the use of share options as disclosed in the Directors Report.

The objective of the individual reward arrangements is to both reinforce the short and long term goals of the company and to provide a common interest between management and shareholders.

All Directors are now engaged on a consultancy basis in order to preserve the Company's cash. Professor Richmond receives non-executive director's fees of $40,000 per annum plus superannuation guarantee payments to his nominated superannuation fund in addition to any consultancy work he undertakes at the request of the Company.

Key management personnel remuneration

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group. Key management personnel include the five most highly remunerated S300A directors and executives for the Group.

Individual directors and executives compensation disclosures

Information regarding individual directors and key management personnel compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the directors' report.

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the Group since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

Options and rights over equity instruments

The movement during the reporting period in the number of listed and unlisted options over ordinary shares in MIL Resources Limited held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

		Held at 1 July 2009	Granted	Exercised	Other changes	Held at 30 June 2010	Vested and exercisable at 30 June 2010
Directors							
PJD Elliott	Listed	87,985	-	-	-	87,985	87,985
	Unlisted	150,000	2,500,000	-	-	2,650,000	2,500,000
JD Beecher	Listed	12,152	-	-	-	12,152	12,152
	Unlisted	100,000	2,500,000	-	-	2,600,000	2,600,000
MR Richmond	Listed	-	-	-	-	-	-
	Unlisted	150,000	2,500,000	-	-	2,650,000	2,500,000
JA Haggman	Listed	3,000,000	-	-	-	3,000,000	3,000,000
	Unlisted	-	2,500,000	-	-	2,500,000	2,500,000

		Held at 1 July 2008	Granted	Exercised	Other changes	Held at 30 June 2009	Vested and exercisable at 30 June 2009
Directors							
PJD Elliott	Listed	87,985	-	-	-	87,985	87,985
	Unlisted	150,000	-	-	-	150,000	-
JD Beecher	Listed	12,152	-	-	-	12,152	12,152
	Unlisted	100,000	-	-	-	100,000	100,000
MR Richmond	Listed	-	-	-	-	-	-
	Unlisted	150,000	-	-	-	150,000	-
JA Haggman	Listed	3,000,000	-	-	-	3,000,000	3,000,000
	Unlisted	-	-	-	-	-	-

10 million share options were granted by MIL Resources Limited shareholders at its Annual General Meeting held on 3 November 2010 to directors during the financial year. These options vested with a fair value expense of $179,000 being recorded in the financial year (2009: nil).

No options have been issued since the end of the financial year.

Movements in shares

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

		Held at 1 July 2009	Purchases	Received on Exercise Options	Sales	Held at 30 June 2010
Directors						
PJD Elliott		387,136	2,337,627	-	-	2,724,763
JD Beecher		513,768	385,326	-	-	899,094
MR Richmond		-	1,213,200	-	-	1,213,200
John Haggman		6,400,000	4,800,000	-	-	11,200,000

		Held at 1 July 2008	Purchases	Received on Exercise Options	Sales	Held at 30 June 2009
Directors						
PJD Elliott		387,136	-	-	-	387,136
JD Beecher		513,768	-	-	-	513,768
MR Richmond		-	-	-	-	-
John Haggman		6,400,000	-	-	-	6,400,000

No shares were granted to key management personnel during the reporting period as compensation in 2009 or 2010.

Other related party transactions

Loans are made by the Company to wholly owned subsidiaries for working capital and operating expense purposes. During the year ended 30 June 2010, funds advanced by MIL Resources to New Guinea Iron Pty Ltd totalled $690,000 (2009: $nil).

New Guinea Iron Pty Ltd lent unsecured $40,000 as at year end to Titan Metals Limited and a further $75,000 since year end.

No loans to key management personnel and their related parties were made in the period.

27. Contingent Liabilities

There are no contingent liabilities as at the date of this report.

28. Subsequent events

The Company has entered into agreements to acquire the remaining 50% that it does not own of Titan Metals Limited subject to approval by shareholders at a general meeting proposed to be held on 30 September 2010. The consideration for the acquisition is the issue of 66,666,666 fully paid ordinary shares in the Company and the further issue of 33,333,333 converting preference shares that convert into ordinary shares on a 1 for 1 basis in MIL Resources conditional upon MIL Resources shares trading on the ASX within 5 years for a continuous period of 30 days at a price determined by a formula, currently estimated to be 4 cents.

The Group has invested a further $200,000 in Titan Mines Limited taking its interest to 42% as at the date of this report.

Apart from the above, the directors are not aware of any significant events in the Group occurring since the year ended 30 June

DIRECTORS' DECLARATION

Directors' declaration

1. In the opinion of the directors of MIL Resources Limited (the Company):

    a. the consolidated financial statements and notes that are contained in notes 1 to 28 and the Remuneration report in the Directors' report, set out on pages 14 to 18, are in accordance with the Corporations Act 2001, including:

        i. giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and

        ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

    b. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. There are reasonable grounds to believe that the Company and the group entities identified in Note 22 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and those group entities pursuant to ASIC Class Order 98/1418.

3. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2010.

4. The directors draw attention to Note 2 to the consolidated financial statements which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Director

Dated at Sydney Australia this 31st day of August 2010

KPMG

Independent auditor's report to the members of MIL Resources Limited

Report on the financial report

We have audited the accompanying financial report of the Group comprising MIL Resources Limited (the Company) and the entities it controlled at the year's end or from time to time during the financial year, which comprises the statement of financial position as at 30 June 2010, and statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary or description of significant accounting policies and other explanatory notes 1 to 28 and the directors' declaration.

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 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Group's financial position and of its performance.

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

Independence

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

KPMG

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of MIL Resources Limited for the year ended 30 June 2010, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Anthony Jones
Partner

Sydney

31 August 2010

MIL RESOURCES LIMITED AND CONTROLLED ENTITIES
ADDITIONAL INFORMATION
for Listed Public Companies

Additional information required by the Australian Stock Exchange Listing Rules and not disclosed elsewhere in this report:

1. Shareholding – Ordinary shares

(i) Distribution schedule of ordinary shareholdings as at 31st August 2010.

	1 – 1,000	314
	1,001 – 5000	349
	5,001 – 10,000	128
	10,001 – 100,000	554
	100,001 and over	256
Total number of holders		1,601

(ii) Number of shareholders with less than a marketable parcel — 933

(iii) 20 Largest Shareholders – Ordinary Shares

	Number of Ordinary Shares Held	% Held
1. Blue Lake Resources Pty Limited< The John Haggman Super A/C>	8,575,000	3.14%
2. Bestfield Company	8,016,200	2.93%
3. ANZ Nominees Limited <Cash Income A/C>	6,458,325	2.36%
4. Rogo Investments Pty Ltd < Rogo Super Fund A/C>	6,175,000	2.26%
5. Redcliff Pty Ltd <Superannuation Fund A/C>	6,000,000	2.20%
6. Berenvy Pty Ltd <The Paul Joyce S/Fund A/C>	4,900,000	1.79%
7. Captain Ossama Fathi Rabah Al Sharif	4,800,000	1.76%
8. Mr John Henderson & Mrs Susan Henderson <Mighty Oak Super A/C>	4,644,368	1.70%
9. Joamel Holdings Pty Ltd	4,507,032	1.65%
10. Agrico Pty Ltd <Palm Super Fund A/C>	4,449,730	1.63%
11.Topsfield Pty Ltd	4,141,500	1.52%
12. Budberth Pty Ltd <Ipseity S/F A/C>	3,500,000	1.28%
13. Locope Pty Ltd	3,500,000	1.28%
14.Patermat Pty Limited (TV Willsteed & Assoc S/FA/C>	3,500,000	1.28%
15. SKEGGS Goldstein Planners Pty Limited <The Reynolds Family A/C>	3,500,000	1.28%
16. Pethol (Vic) Pty Ltd	3,415,340	1.25%
17. Baron Nominees Pty Ltd	3,368,750	1.23%
18. Clapsy Pty Ltd < Baron Super Fund A/C>	3,280,448	1.20%
19. Mr Andrew Hewitt	3,266,500	1.20%
20. Mr Steven Henry Greatorex	2,900,000	1.06%
Percentage held by 20 largest shareholders	**92,898,193**	**34.00%**

2. Shareholding – Listed Options

(i) Distribution schedule of ordinary shareholdings as at 31st August 2010.

1 – 1,000	176
1,001 – 5000	124
5,001 – 10,000	54
10,001 – 100,000	263
100,001 and over	83
Total number of holders	700

(ii) Number of shareholders with less than a marketable parcel — 610

(iii) 20 Largest Option holders

	Number of Options Held	% Held
1. Blue Lake Resources Pty Limited< The Blue Lake A/C>	3,000,000	4.89%
2. Redcliff Pty Ltd <Superannuation Fund A/C	2,600,000	4.24%
3. Mr Gordon Hart <Gordon Hart Super fund A/C>	2,550,000	4.16%
4. Berenvy Pty Ltd <The Paul Joyce S/Fund A/C>	2,500,000	4.08%
5. Rogo Investments Pty Ltd	2,500,000	4.08%
6 Clapsy Pty Ltd < Baron Super Fund A/C>	2,000,000	3.26%
7. Mr Andew Lenox Hewitt	1,506,259	2.46%
8. Bestfield Company	1,500,000	2.45%
9. Agrico Pty Ltd <Palm Super Fund A/C>	1,376,577	2.25%
10. Budberth Pty Ltd <Ipseity S/F A/C A/C>	1,307,684	2.13%
11. Dalfam Pty Limited <BFT A/C>	1,200,000	1.96%
12. Suilven Pty Ltd	1,100,000	1.79%
13. Locope Pty Ltd	1,011,000	1.65%
14. Holtex Pty Limited <Buckeridge SF A/C>	1,007,774	1.64%
15. Bannaby Investments Pty Ltd <Super Fund A/C>	1,000,000	1.63%
16. Mr Andew Hewitt	1,000,000	1.63%
17. Holtex Pty Limited <Buckeridge SF A/C>	1,000,000	1.63%
18. Mr Christopher Gerald Sabin & Mrs Gillian Brigit Sabin <Sabin Family A/c>	1,000,000	1.63%
19. Trifern Pty Ltd	1,000,000	1.63%
20. Mr Paul Antony Young	1,000,000	1.63%
Percentage held by 20 largest option holders	**31,159,294**	**50.81%**

(iv) Voting Rights

Article 37 of the parent entity's Constitution stipulates the voting rights of members as follows:
Subject to any rights or restrictions attached to any class of shares and to these Articles:

a) at a meeting of Members or class of Members each Member entitled to vote may vote in person or by proxy or attorney;
b) on a show of hands every person present who is a Member or a representative of a Member shall have (1) vote ; and
c) on a poll, every Member present in person or by proxy or by or attorney or representative shall have in respect of:
   I. each fully paid share held by him in the parent company, one (1) vote; and
   II. each contributing share held by him in the parent entity, voting rights pro rata to the amount paid up on each share.

MIL RESOURCES LIMITED
AND CONTROLLED ENTITIES
Additional Information for Listed Public Companies

1. The address of the principal office in Australia is:

   Suite 2, Level 3, 9-13 Young Street, Sydney NSW 2000.
   PO Box N114, Grosvenor Place NSW 1220

Telephone	(02) 9252 1505
Fax	(02) 9252 1507
Email	info@mgil.com.au

2. Registers of securities are held at:

   Registries Limited
   Level 7,
   207 Kent Street,
   Sydney NSW 2000
   Phone: (02) 9290 9600 Facsimile: (02) 9279 0664

3. Stock Exchange Listings
   The parent entity's shares are quoted on the Australian Stock Exchange with codes MGK for listed ordinary shares and the listed options code is MGKOA

4. Restricted Securities- there are no restricted securities.

5. Unquoted Securities – 11,900,183 Unlisted Options are on issue.

MIL RESOURCES LIMITED
AND CONTROLLED ENTITIES
ABN 23 003 669 163

CORPORATE DIRECTORY

DIRECTORS	Patrick Elliott (Chairman and Managing Director) James Beecher John Haggman Malcolm Richmond
SECRETARY	James Beecher
REGISTERED OFFICE	Suite 2, Level 3 9 – 13 Young Street SYDNEY NSW 2000 Phone: (02) 9252 1505 Facsimile: (02) 9252 1507
HEAD OFFICE	Suite 2, Level 3 9 – 13 Young Street SYDNEY NSW 2000 SYDNEY NSW 2000 Phone: (02) 9252 1505 Facsimile: (02) 9252 1507
AUDITORS	KPMG 10 Shelley Street SYDNEY NSW 2000
SHARE REGISTRAR	Registries Limited Level 7 207 Kent Street Sydney NSW 2000 Phone: (02) 9290 9600 Facsimile: (02) 9279 0664
BANKERS	Westpac Banking Corporation Westpac Plaza Branch 273 George Street SYDNEY NSW 2001
WEBSITE	www.mgil.com.au
ASX CODE	MGK