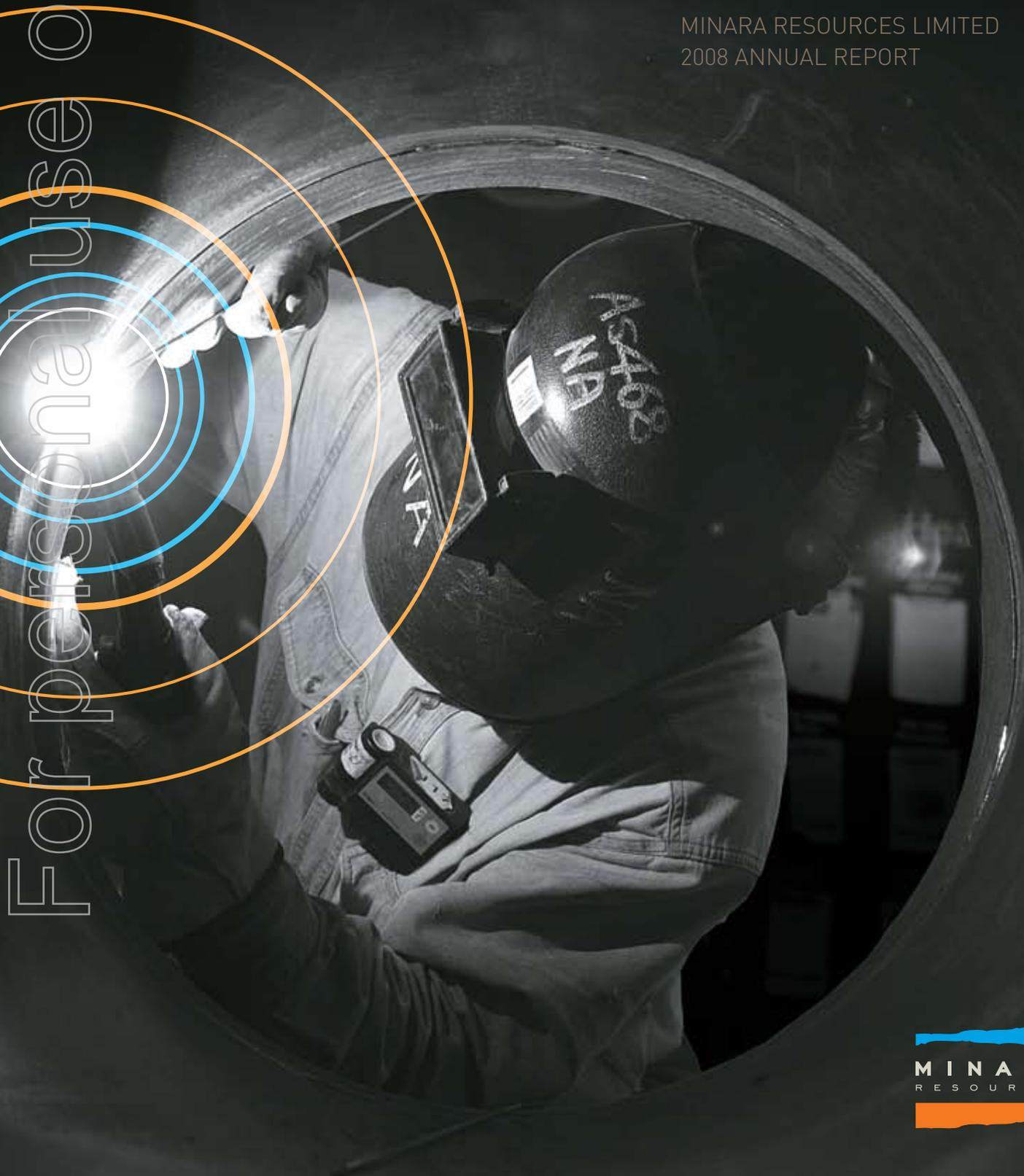


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STRENGTHENING OUR CORE BUSINESS

MINARA RESOURCES LIMITED
2008 ANNUAL REPORT



Minara Resources Limited is Australia's second largest nickel producer, and one of the top ten in the world, with headquarters in Perth, Western Australia.

CONTENTS

02	CHAIRMAN'S REPORT	09	PEOPLE	18	DIRECTORS' REPORT	54	NOTES
04	CEO'S REPORT	10	HEALTH AND SAFETY	38	AUDITOR'S INDEPENDENCE STATEMENT	88	DIRECTORS' DECLARATION
06	ACTIVITIES REVIEW	12	ENVIRONMENT			91	ASX ADDITIONAL INFORMATION
08	RESERVES AND RESOURCES	14	COMMUNITY	39	CORPORATE GOVERNANCE		
		16	5 YEAR SUMMARY	49	FINANCIAL STATEMENTS	92	GLOSSARY





Minara Resources Limited
ABN 23 060 370 783

Scope of this Report

The Minara Resources 2008 Annual Report presents the operating and financial results for the period 1 January 2008 to 31 December 2008. These have been prepared in accordance with the Australian equivalents to the International Financial Reporting Standards (AIFRS).

The reporting structure also addresses Minara's values and reflects the principles of the Global Report Initiative (GRI) general reporting guidelines.

This is the sixteenth Annual Report for Minara Resources following its formation in 1993.

Annual General Meeting

The sixteenth Annual General Meeting of Minara Resources Limited will be held at the Sheraton Perth Hotel, 207 Adelaide Terrace, Perth on 30 April 2009 at 9.30am.

ABOUT MINARA

Minara Resources Limited is Australia's second largest nickel producer, and one of the top ten in the world, with headquarters in Perth, Western Australia.

Minara owns and operates the Murrin Murrin Nickel Cobalt Joint Venture project (60 per cent Minara, 40 per cent Glencore International AG) near Leonora in Western Australia's historic northern goldfields region. Murrin Murrin is a world class hydrometallurgical project, using sulphuric acid in high-temperature, high-pressure autoclave vessels to leach nickel and cobalt from low grade lateritic (oxidised) ores.

OUR VISION

Minara is a leading nickel producer, recognised for delivering high quality products and for its commitment to its people, their safety and the environment.

Minara's strategy is to strengthen its core business and pursue growth opportunities.

OUR VALUES

Safety has unconditional priority in any business activity. The work environment and well being of others is within our care.

Lifestyle is important and we promote a balance between work and family.

We will respect the property, rights, ideas and achievement of others.

We will be honest and fair in our dealings with others.

We will take pride in our plant, process and product.

We will realise the true potential of our people by involvement and participation.

STRATEGIC FOCUS

Minara continues to strive for improved operating performance to deliver strong growth to its shareholders.



CHAIRMAN'S REPORT



In the second half of the year, we responded by shifting our business focus from capital expansion to a “back to basics” philosophy which focused on capital conservation, cost minimisation, productivity improvement and high operational standards.

I am pleased to present to you the 2008 Minara Resources Limited Annual Report, my first as Chairman.

2008 has been an extremely challenging year for the company as it recognised and addressed the pressures brought to bear by the external market conditions associated with the global financial crisis and consequent world recession.

The year started with great promise and, whilst nickel prices had fallen from their 2007 peak, the outlook early in 2008 remained positive with a \$70m fully franked dividend being declared in February and paid in March. It wasn't until the world recession started to bite and commodity prices dropped substantially late in the second quarter that it became apparent that decisive action was needed. Nickel prices fell from a peak of US\$33,300 per tonne at the start of 2008 to US\$11,609 per tonne by year's end.

The rapidly declining nickel price, an unpredictable increase in sulphur and other input costs, together with the production impact of the Varanus Island gas incident, caused an abrupt deterioration in the financial position of the company. This necessitated a rapid and fundamental change to Minara's business direction.

In the second half of the year, we responded by shifting our business focus from capital expansion to a “back to basics” philosophy which focused on capital conservation, cost minimisation, productivity improvement and high operational standards. The process of shutting down capital projects was immediately commenced.

Despite the external factors preventing us from

providing the level of shareholder returns enjoyed in 2007, we did achieve pleasing results at an operational level particularly in the areas of production, costs, safety and the environment.

Production increased to 30,514 tonnes of nickel and 2,018 tonnes of cobalt during the year and the changes to the cost structure of the business will provide significant benefits during 2009 and beyond.

Despite the change to our business direction late in the year, supported by our operating and capital cost saving initiatives, the cash demands of our remnant capital projects and the tightening debt market made it apparent that new equity was required. The company announced a fully underwritten renounceable rights issue on 29 October 2008. Approximately 75 percent of eligible shareholders followed their rights and Glencore International AG, who had agreed to underwrite the rights issue, consequently increased its shareholding to 70.6 percent.

The impact of the successful rights issue and most importantly, Glencore's willingness to underwrite it, should not be taken lightly. Its success has allowed the company to retire short-term debt and provide additional security for asset protection into the future. This will allow us to more confidently face the challenges of the difficult and volatile global market conditions ahead and to be well placed to take advantage of the inevitable world recovery.

Last year, we announced the Board's approval of significant additional expenditure for the expansion of our heap leach operations as a further cornerstone for our future. However, with the world recession and consequent contraction in demand for nickel, along

with our other capital projects, this project has also been suspended indefinitely.

The Board remains committed to the highest standards of corporate governance and ethical behaviour. Our corporate governance policies are continually reviewed to best practice standards and underpin every activity and deliberation.

The challenging environment of 2008 has not diminished Minara's efforts in the areas of occupational health, safety and the environment and in Minara's support for the communities in which it operates.

- Our safety performance continues to improve.
- The company was presented with the prestigious Golden Gecko Award by the Western Australian Government for outstanding environmental achievement at Murrin Murrin, in the area of waste landform management, and we reported no environmental incidents.
- Our commitment to social responsibility in the area surrounding the Murrin Murrin operation continued throughout 2008 with both consultation and community support. A milestone event during the year was the distribution of Minara Community Foundation's inaugural commitment of \$250,000 to a number of organisations and projects in the northern goldfields.

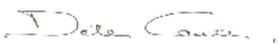
Despite the very difficult market conditions during my first year on Minara's Board, I have been impressed by the enthusiasm and commitment of the management team and their willingness to respond to these difficult market conditions by aggressively reducing costs and improving productivity. As a result, unlike many of our

competitors, Minara remains a viable business and, despite a gloomy global economic outlook for 2009, I believe is well placed to capitalise on the inevitable recovery of world commodity markets. We are debt-free with substantial cash reserves and are very secure in the medium term.

I would like to record Minara's appreciation of our Joint Venture partner, Glencore, for its ongoing support of our operations and particularly for its vital role in fully underwriting the rights issue.

With the exception of my appointment as Chairman on the retirement of James Campbell, the composition of Minara's Board of Directors has remained unchanged for a number of years, providing invaluable consistency across the highs and lows of the market cycle. I would like to thank my fellow Board members for their commitment and counsel during the year.

My final thanks are to Minara's management team and all employees for their hard work, commitment and understanding throughout the many challenges we have faced in 2008. The professionalism of our workforce gives me every confidence in our ability to maximise our business within the current environment and our ability to deliver real returns to our shareholders in the future.



Peter Coates
Chairman





2008 was a challenging year for Minara in all aspects of our business. There was a substantial fall in nickel and cobalt prices, a significant price increase in sulphur, our major reagent, and an extraordinary disruption to our gas supply.

Minara's performance was significantly impacted by these external factors over which it has had little or no control.

Our initial objectives for the year were:

- maintain our continued safety focus,
- develop an improved and consistent production profile,
- expand our heap leach operations, and
- deliver strong returns to our shareholders.

The rapid decline in market conditions necessitated a change in direction during the year, and we responded quickly to the new environment. We developed a new business strategy by June and implemented a revised cost structure which has already achieved significant savings and has positioned us well for 2009.

We also delayed our heap leach expansion plans but were able to deliver on our first two objectives. However, due to the unprecedented volatile market, we were not able to deliver upon our objective for strong shareholder returns.

Late in the year we successfully concluded a renounceable rights issue in order to raise additional funds and to retire short-term debt. The rights issue was fully underwritten by Glencore International AG, our major shareholder, supporter and partner for over 10 years. This was of crucial importance in an extremely tough and risk averse financial market.

The success of the renounceable rights issue enabled Minara to finish the year with a strong balance sheet, zero debt and capacity to survive in a very difficult and unpredictable market.

Financial Performance

The success of the renounceable rights issue enabled Minara to finish the year with a strong balance sheet, zero debt and capacity to survive in a very difficult and unpredictable market.

Minara's financial results for 2008 reflect the market environment we have operated in for most of the past year. While our financial results present a significant reduction on the previous year, we have achieved solid performance within this framework.

We recorded a gross profit of A\$8.4 million (2007: A\$403.3million), and a net loss after tax of A\$19.8 million (2007: A\$270.5 million profit). As a result, the Board took the financially prudent decision not to declare a dividend this year.

Cost Saving Initiatives

In order to meet the challenges of the difficult market environment, we have put in place a number of initiatives and have embarked on a period of consolidation, with a focus on optimising and maximising production efficiency.

During the third quarter of the year we implemented a restructuring program focused on a large number of cost saving initiatives, including:

- reduced capital expenditure,
- reduction in discretionary expenditure,
- reduced mining and maintenance costs,
- a new mine plan focused on low magnesium ores, and
- a reduction in the number of contractors and employees.

Metal Markets

Nickel prices have continued to decline since their record levels in early 2007, markedly in the second half of 2008. This is a result of a softening in stainless steel demand, particularly in Europe, and a commensurate increase in LME nickel stocks. In the medium to long term however, we believe that the outlook for nickel demand remains positive, with a continued forecast rise of nickel consumption in China.

The cobalt price during the reporting period has exhibited high levels of volatility, decreasing in the second half of 2008. The long-term outlook is positive, with world demand for cobalt continuing to rise due to increased usage of this metal in various technical applications. As a significant producer of cobalt, Minara is well placed to capitalise upon this important additional revenue stream for the company.

Operations

Operations at Murrin Murrin have been stable throughout the year and the plant is performing well – a direct result of our significant program of maintenance and capital works conducted the previous year.

There were two significant interruptions to production during the year.

The first was the gas supply crisis as a result of the fire at Apache Energy's Varanus Island facility resulting in the Murrin Murrin plant being non-operational for five days during June, and operating at half to two-thirds capacity through to early July. Despite this, we were quickly able to secure an alternative gas supply which enabled a return to full production in July.

The second was a 12-day planned maintenance shutdown during the third quarter of the year in which duct work on the acid plant was successfully repaired and a line changeover in the mixed sulphide area was completed, with the plant restarting 36 hours ahead of schedule.

We achieved a pleasing increase in production figures over the previous year, with nickel production totalling 30,514 tonnes (2007: 27,585 tonnes) and cobalt production of 2,018 tonnes (2007: 1,884 tonnes).

Minara's increased efficiency and the stabilisation of our production profile has ensured that the effects of sharply rising input costs have been minimised.

In late 2008 the wet metals upgrade was completed increasing our nickel powder drying and transfer capacity in the refinery, eliminating a bottleneck at the back end of the plant. In-pit tailings deposition commenced in December 2008 and is a significant achievement as it reduces the capital cost of tailings disposal and over time will reduce our environmental footprint.

Growth Initiatives

Our approach to the rapid decline in market conditions has been to focus on our core business. This involves optimising our current operational capability and ensuring we continue to operate effectively and efficiently. Because of the focus on the basics, there is a pause in our pursuit of growth initiatives.

The heap leach project progressed well for the year and achieved full design capacity. Additional expenditure was approved for project expansion, although price and revenue pressures resulted in deferral of the heap leach expansion. However, optimisation of the heap leach operation will continue. We are reviewing our expansion strategy regularly and will determine a new expansion timetable when market conditions allow.

Minara's exploration activities have continued, with a focus on discovering new nickel sulphide resources.

People

Minara's people strategy continues towards establishing ourselves as a preferred employer in the mining and metals processing industry. The contraction in the resources sector employment market makes it increasingly important for us to be strategic in the way we identify, attract, retain and develop the best

talent available, particularly as we aim to improve the way we manage in a technically complex operation.

We continue our associations with universities and industry groups to consistently build our employment brand year on year.

Recognising fly-in-fly-out is challenging for our people, we maintain lifestyle friendly rosters as well as health, safety and well being initiatives to support them.

We will continue to build and develop our technical skills and required capability to ensure we improve the way we do business. Our people focus will see us maintain and develop supportive people and employment policies and practices.

Safety and Environment

Our focus on continued improvement in safety performance has seen encouraging results and in 2009 we will strive to reduce manual handling injuries.

A safety management system was implemented, setting new company standards and improved system procedures and hazard protocols.

During 2009 we will move to a more individually accountable approach, rather than relying on systems or engineering type support, and there will be a strong focus on No Harm Safe Process in all Health and Safety plans.

In September, Minara was presented with a Golden Gecko Award for outstanding environmental achievement at Murrin Murrin. Regarded as the State's most prestigious environmental excellence awards, the Golden Gecko Award recognised Minara for its innovative approach to waste landform rehabilitation.

This award is a direct result of a number of years' focus by Minara's environmental team on continual review and modification of its approach to waste landform management in order to establish a consistent and high quality standard of known rehabilitation outcomes.

This achievement reflects Minara's commitment to the protection of all environments in which we operate. Throughout the year we continued to refine and improve our environmental activities, particularly in the areas of water and energy efficiency. The 2008 year finished with zero environmental incidents reported to the regulatory authorities.

Community

The year in review saw the distribution of the inaugural annual \$250,000 grant from the Minara Community Foundation to provide long-term benefits to the people of the northern goldfields of Western Australia. A total of 18 applications were received, with nine projects approved for funding, including replacement of various items of capital equipment, a culture and language development project and agricultural development assistance with a focus on indigenous groups.

In addition to the support of businesses and the wider community in the areas of our operations, we also continue to consult with a range of stakeholders, particularly in the planning and development stages of our operations.

Acknowledgement

Mr Peter Coates was appointed to the Board on 1 April 2008 and commenced his tenure as Chairman on 9 May 2008. Peter's experience and commitment has been invaluable throughout the challenges we have faced during the year and I thank him for his support. I also thank all members of the Board for their ongoing contribution.

I would like to thank my management team and all employees at Minara for their dedication, support and professionalism throughout a very challenging 2008.

Outlook

Although the economic conditions of 2008 made for a challenging year for Minara, the company is in a sound position. We enter the new year debt free, with solid cash reserves, and the actions we have taken in the last six months have positioned Minara well for the medium term in a difficult financial climate.

Input costs, especially sulphur, will return to normal levels and the nickel market will stabilise in the medium term, and then return to historical growth trends.

With a dedicated management team in place, our capacity for a stable production profile and our commitment to our core business, we look to a future of growth and improved returns for our shareholders.

P. B. Johnston

Peter Johnston
Managing Director & CEO



ACTIVITIES REVIEW

Business Plan

A new business plan was successfully implemented in the second half of 2008. The business plan focuses on a number of cost saving initiatives to address the business pressures created by deteriorating economic and market conditions.

Considerable savings were achieved via a reduction in fixed and variable operating costs, a new mine plan targeting low magnesium ores to reduce sulphur consumption, a reduction in the number of contractors and employees and reduced capital expenditure.

Implementation of the new plan was completed by year end. The full benefit of these initiatives will be realised during 2009.

Rights Issue

On 29 October 2008, Minara announced a fully underwritten renounceable pro rata rights issue. 700,670,353 fully paid ordinary shares were taken up by Minara shareholders at an issue price of A\$0.30 each. The rights issue raised approximately A\$210 million (before costs). The new shares were issued on 5 December 2008. The rights issue was underwritten by Glencore International AG, whose holding following the rights issue is 70.6 percent.

Net proceeds from the rights issue were applied to repay short-term debt and to fund committed capital expenditure. The remaining funds provide the company with working capital to underpin ongoing operations.

Mining

During 2008 the total ex-pit movement at Murrin Murrin was 17.9 million dry tonnes. This includes 13.6 million dry tonnes of waste material and 2.39 million dry tonnes of run of mine (ROM) ore at 1.39 percent nickel and 0.103 percent cobalt.

The back calculated ROM mill feed grade was 1.31 percent nickel and 0.094 percent cobalt.

Nickel ore grades mined and processed in 2008 were slightly higher than the previous year and above budget due to the new mine plan implemented in August 2008, targeting higher grade ores.

During 2008 Minara's Mining department changed the mine plan significantly to reduce costs. This was achieved by reducing the mining fleet, relocating activities to deposits closer to the processing plant, and targeting low magnesium ores.

Production

Production at the Murrin Murrin operation for the 12 months to 31 December 2008 was 30,514 tonnes of nickel (2007: 27,585 tonnes), and 2,018 tonnes of cobalt (2007: 1,884 tonnes). Minara's share is 60 percent. Production for the year was impacted by several events. A series of unrelated electrical control system failures on the major generation units in March 2008 reduced production. As a result of the incident at Apache Energy's Varanus Island facility in June 2008, gas supply to the Murrin Murrin plant was interrupted and the plant was non operational for five days. After securing additional gas supplies the plant operated at two-thirds capacity through to early July. During the second half of 2008 production was further impacted by a 12-day planned maintenance shutdown to repair duct work in the acid plant.

2009 Targets

Minara's mine production target for 2009 is 13.6 million tonnes of total ex-pit material movement, and a high-grade ore to ROM pad target of 2.87 million tonnes at 1.27 percent nickel.

The 2009 production guidance is 30,000-34,000 tonnes of nickel and 2,000-2,400 tonnes of cobalt.

Exploration

Minara's exploration strategy remains a three-tiered approach focused upon:

- identifying deposits near the Murrin Murrin operations which will provide resource and reserve growth,
- identifying complementary feed sources for the Murrin Murrin plant, and
- creating alternate revenue streams for Minara.

Minara reduced exploration expenditure across all projects in 2008 and will continue to prioritise exploration expenditure on a reduced basis into 2009. In 2008 Minara increased its ownership of nickel rights in the Bardoc JV to 100 percent, up from 70 percent. Minara did not enter into any new joint venture arrangements during 2008. Subsequent to the financial year end Minara has withdrawn from the Mt Rankin and Collurabbie joint ventures.

Capital

Minara is now seeing the benefit from the significant investment in the plant over a number of years. This enabled the company to reduce capital expenditure during the second half of 2008 and 2009.

The in-pit tailings project was successfully commissioned in December 2008. In-pit tailings deposition delivers operating flexibility via discharging of tailings into completed mining pits to complement the existing tails cells already in operation. The project delivers a reduction in the cost of tailings disposal.

The refinery wet metals upgrade also was commissioned in December 2008. The wet metals

upgrade provides significant operating flexibility and production rate improvements for the metals handling system in the refinery with the addition of a new dryer, filter and conveyors.

Major projects initially in execution during 2008 which were deferred indefinitely due to deteriorating market conditions included:

- The high density sludge process (HDS) aimed primarily at increasing ore leach throughput by de-constraining the plant's counter current decantation (CCD) circuit.
- The 6th reduction autoclave project delivering a sixth unit which will operate in parallel to the existing autoclave reduction vessels in the refinery's nickel circuit.
- The split feed cobalt extraction project which is aimed at increasing nickel strength (concentration) into the refinery area to increase the refinery throughput.
- Significant expansion to the heap leach project, based on the heap leach technology under demonstration at the site.

Maintenance

Planned work versus reactive work ratios steadily improved through the year, with the introduction of the central planning group, allowing better control and management of the maintenance functions at the Murrin Murrin operation.

Early in 2008 a furnace shutdown in the refinery was completed with a new herringbone skid and belt replacement being the major components. A precipitation circuit shutdown and changeover was completed later in the year. Ore leach executed five full autoclave de-scale shutdowns. CCD tank one

and thickener one also underwent major refurbishment activities.

Major planned maintenance work for 2009 includes four autoclave de-scale shutdowns and two CCD thickener overhauls in ore leach. Utilities will undertake a cold acid plant shutdown to enable a catalyst skim in the converter and the refinery will have one full precipitation circuit change over and de-scale and a full re-build shutdown on the nickel sintering furnace.

Research and Development

Murrin Murrin is a world leader in processing and refining lateritic nickel ores using high temperature, high pressure acid leach technology to produce refined nickel and cobalt metal.

Developing new technology and optimising the existing process plant through innovation remains a key focus for Minara as it seeks to continuously improve plant production, metal recovery and product quality, whilst pursuing new opportunities to improve the company's overall competitiveness.

Intellectual Property

Minara has continued to actively protect its intellectual property. There are now six certified innovation patents, nine international patent applications, and three provisional patent applications.

Markets

Nickel

Nickel is primarily used in a wide range of versatile stainless steels and other nickel alloys with valuable engineering properties and uses. During 2008 there was a softening in stainless steel demand and an increase in LME nickel stocks from 47,940 tonnes to 78,390 tonnes. Despite the current weak demand

for all metals, Minara believes the nickel market fundamentals remain sound over the medium to longer term.

Nickel Prices

Nickel prices started the year at US\$26,505 per tonne, peaking at US\$33,300 per tonne in March before ending the year at US\$11,609 per tonne. Nickel metal prices on the LME averaged \$US21,068 per tonne for the 12 months ended 31 December 2008.

Cobalt

Cobalt is principally used in speciality steel and superalloys for the aerospace industry, as well as in manufacturing, corrosion and wear resistant alloys, high speed steels and rechargeable batteries. In the short term there will be additional cobalt stocks. The medium to long term outlook is positive with world demand set to rise due to increased usage of this metal in various technical applications.

Cobalt Prices

Prices for cobalt were volatile during 2008 and decreased during the second half of the year, finishing at US\$10.50 per lb. Cobalt prices averaged US\$35.74 per lb in 2008.



RESERVES AND RESOURCES

Resources

Minara's Resources are based on a cut-off grade of 0.8 percent nickel and depletion of the geological block models using end of period surface surveys.

The Resource classification is based on drill spacing, with the Measured category less than or equal to 50x50m, the Indicated category less than or equal to 100x100m and the Inferred category greater than 100x100m. The changes in Resource position are due to a combination of depletion of material from mining and processing activities and the updating of resources from new resource models in 'Resource Zones' rz19, rz21 and rz23.

Reserves

Minara's Reserves are based on optimisations using US\$16,000 per tonne nickel, US\$8.00 per lb cobalt and an exchange rate of 0.75 \$AUD/\$USD. There has been a net increase in the reserve position over 2008 due to changes in the long term view of the nickel

price and exchange rate and are net of all mining, milling and stockpiling activities completed during the period.

The Measured and Indicated Mineral Resources include those Mineral Resources modified to produce the Ore Reserves. The process of deriving ore reserves uses the economic value of the ore blocks as the basis for inclusion in the reserve, and is in accordance with the JORC code. The economic value is based on metal grades and projected values, processing and associated operating costs. The above Resources and Reserves have been prepared in accordance with the Australasian Code for the Reporting of Identified Mineral Resources and Ore Reserves (JORC, 2004) for public reporting.

Competent Persons Statement

The information in this report relating to Exploration Results is based on information compiled by Mr David Selfe, the information relating to Ore Reserves

is based on information compiled by Mr Ross Jaine, the information relating to Ore Resources is based on information compiled by Mr Stephen King and Mr David Selfe and the information relating to Metallurgical Results is based on information compiled by Mr John O'Callaghan.

Mr Selfe, Mr Jaine, Mr King and Mr O'Callaghan are all Members of the Australasian Institute of Mining and Metallurgy as at the time of compiling the information for inclusion in this report were all full time employees of Minara Resources Limited. Mr Selfe, Mr Jaine, Mr King and Mr O'Callaghan all have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking in order to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves' and all consent to the inclusion in this report of the matters based on their information in the form and context in which it appears.

MINERAL RESOURCES AND RESERVES AS AT 31 DECEMBER 2008

MURRIN MURRIN MINERAL RESOURCES		31 December 2007			31 December 2008			
Resource Category	Tonnage (Mt)	Ni Grade %	Co Grade %	Cut Off Grade Ni	Tonnage (Mt)	Ni Grade %	Co Grade %	Cut Off Grade Ni
Measured	115	1.01	0.068	0.8%	102	1.01	0.068	0.8%
Indicated	195	0.97	0.065	0.8%	191	0.97	0.065	0.8%
Inferred	6	0.92	0.054	0.8%	6	0.93	0.055	0.8%
Scats	1	1.05	0.068		1	1.07	0.068	
Stockpiles (Measured)	23	1.03	0.072		31	1.03	0.068	
Total	340	0.99	0.066		330	0.99	0.066	

MURRIN MURRIN MINERAL RESERVES		31 December 2007			31 December 2008			
Reserve Category	Tonnage (Mt)	Ni Grade %	Co Grade %		Tonnage (Mt)	Ni Grade %	Co Grade %	Cut Off Grade Ni
Proven	54	1.12	0.094		107	1.05	0.077	
Probable	68	1.08	0.086		86	1.02	0.076	
Scats	1	1.05	0.068		1	1.07	0.068	
Stockpiles	23	1.03	0.072		31	1.00	0.068	
Total	147	1.09	0.087		224	1.03	0.075	

PEOPLE

Minara is one of the largest single site employers in Western Australia. At year end Minara had 688 permanent employees and approximately 266 rostered contractors.

The number of permanent employees peaked at 906 in February 2008. The subsequent 24.06 percent decrease was the result of the demobilisation of fixed term staff that had remained with the company after the 2007 statutory shutdown and a reduction in the number of employees in response to changing market conditions. In line with decreases to permanent staff numbers, Minara also reduced the number of rostered and discretionary contractors.

Where possible Minara provided affected employees with internal redeployment. Where this was not possible, Minara engaged industry peers to offer individuals possible pathways to new employment.

Excluding redundancies, the average turnover rate of Minara's permanent employees for January to December 2008 was 38.81 percent. The turnover rate is comparable with other fly-in-fly-out operations and reflective of an industry-wide average length of service of approximately two and a half years.

Minara recognises the business need to attract and retain employees with the technical skills and expertise to deliver across all aspects of operations. The company aims to create a work environment and programs to underpin high performance, increase gender and cultural diversity, and build internal capacity.

For personal use only



A positive Health and Safety (H&S) culture has developed at the company. Minara promotes safety as a value that must not be compromised.

The H&S department is a team of dedicated health and safety professionals who, through education and training, ensure executive management, individual employees, contractors and site visitors are aware of their personal responsibility to their own safety and the safety of others.

H&S department personnel include a Safety Superintendent, Hygienist, Senior Safety Advisors, Safety Advisors, Injury Management Advisor, Health and Wellbeing Coordinator, Medical Staff, Emergency Officers, Security and Safety Representatives. These personnel are all actively involved with safety initiatives while working collaboratively with internal and external stakeholders to ensure safe production at the Murrin Murrin operation.

Performance

In 2008 Minara's safety performance was monitored and measured against a Lost Time Injury Frequency Rate (LTIFR) target of 2 and Disabling Injury Frequency Rate (DIFR) target of 5.

The LTIFR 12-month rolling average to 31 December 2008 was 2.19 and the DIFR 12-month rolling average to 31 December 2008 was 1.64.

The above budget LTIFR is reflective of an increase in manual handling injuries and is being addressed by increased manual handling training, ergonomic action plans and health initiatives for employees and contractors in 2009.

Emergency Response

The Minara Emergency Response Team (ERT) was one of 15 emergency response teams from various mining operations that participated in the Chamber of Minerals and Energy Annual Surface Mine Emergency Response Competition in Kalgoorlie during May.

Prior to the competition, the Minara team undertook eight days of intense training in hazardous materials, rope rescue, confined space, fire fighting, vehicle extrication and triage first aid. The training resulted in significant skill transfer to team members for use on site.

Minara achieved two first place awards, one in Breathing Apparatus Skills, and notably in the prestigious Team Safety award.

Community Safety

In addition to providing on-site emergency response, the ERT and medical staff are available to attend incidents near the Murrin Murrin operation when required. The ERT also assists with large local events such as the Laverton Race Day.

Employee Consultation and Training

Occupational health and safety is the first topic discussed in all business forums including daily production meetings. Minara utilises consultative processes by way of pre-shift, toolbox, safety meetings and information boards to communicate H&S goals to all employees, contractors and site visitors.

Over 2,000 people attended site inductions during 2008. Site training consisted of Area Inductions, Step Back 2x2, Fitness for Work, Job Safety Environmental Analysis, Confined Space, Working Safely At Heights,

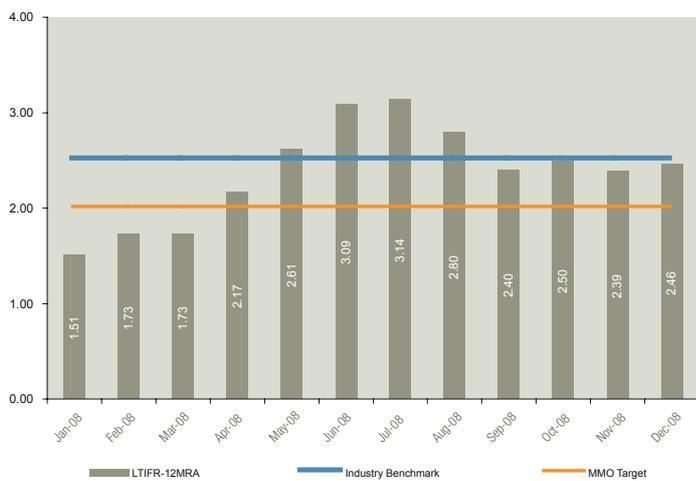
Gas Testing, Senior & Occupational First Aid, Breathing Apparatus, Safe Mate Behavioural Training, Evacuation, Fire & Emergency Training, Industrial Paramedic and Safety Representative training.

Industry Participation

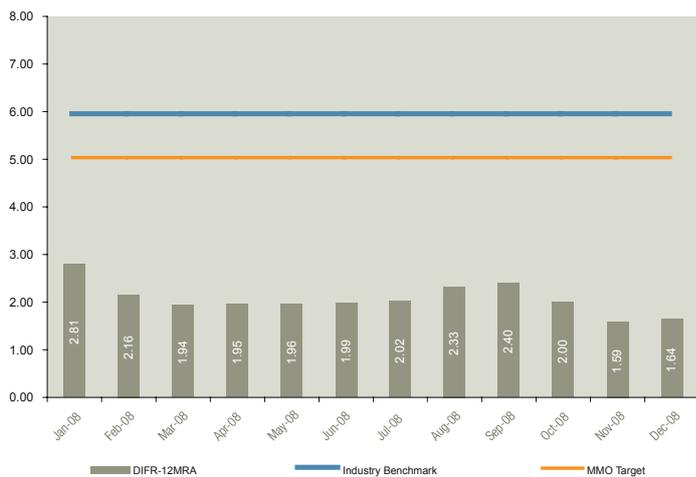
Minara contributes to and is informed about industry best practice through involvement with the Australian Safety Institute, the Chamber of Commerce and Industry, the Chamber of Minerals and Energy (CME) and the Department of Mines and Petroleum. H&S personnel attend and contribute to the Eastern Region Safety Forums arranged by the CME and Minara has representation in the CME Hazardous Tasks (Manual Handling) group which involves representatives from all businesses looking at manual hazardous task risk assessments and controlling these risks.

Outlook for 2009

In 2009 Minara is targeting a 20 percent reduction in All Industry Frequency Rate (AIFR) for the year. This equates to five per cent per quarter and will look at all measures including LTIFR, DIFR, and First Aid Cases (FACs).



Minara Resources Murrin Murrin
Lost Time Injury Frequency Rates 12 Month Rolling Average
December 2008



Minara Resources Murrin Murrin
Disabling Injury Frequency Rates 12 Month Rolling Average
December 2008



ENVIRONMENT

Environmental management is a key priority for Minara. The company proactively considers the environmental implications of all operational and strategic decisions before proceeding.

The Minara Environmental Management System (EMS) is aligned with ISO 14001. In 2008 Minara's EMS was reviewed and all environmental management procedures have been updated in line with ISO 14001 requirements.

Under the title of "A framework for excellence in rehabilitation", Minara was awarded a 2008 Golden Gecko, the State's most prestigious environmental award presented by the Western Australian Government.

Environmental Focus Areas 2008

Excellence in Mine Rehabilitation

A major goal for 2008 was to achieve best practice standards for mine rehabilitation. After extensive research, material characterisation and following the success of rehabilitation trials, Minara adopted the concave slope design as the site standard for waste dump rehabilitation at Murrin Murrin.

The rehabilitation trials also led to the finalisation of Minara's Mine Rehabilitation Key Performance Indicators (KPIs) – the result of several years of research into improving the rehabilitation methodology and procedures. The KPIs have been recognised within the industry as best practice and were responsible for Minara winning the Golden Gecko award.

Minara's dedicated Environment section has identified five key components to successful rehabilitation practices; planning, construction, initial performance, monitored performance and sustainability. The quality control mechanisms throughout the entire rehabilitation process, via quantitative, objective and repeatable evaluations, deliver a significant improvement in the cost-effectiveness of rehabilitation.

Water Management

Water management is a critical part of the Environment section's day to day operations. Compliance with Murrin Murrin's groundwater licences and minimisation of the impact of groundwater abstraction are key priorities for the business. Results of Minara's significant ongoing water monitoring activities are audited by an independent consultant before being reported to the regulatory authorities as the Annual Aquifer Review.

Tailings Management

Managing the Tailings Storage Facility (TSF) is an important aspect of ongoing production at Murrin Murrin. Implementation of the seepage recovery program has resulted in positive improvements in this area. 2008 also saw the commencement of in-pit deposition of tailings.

Rehabilitation

During 2008, a total of A\$2.17 million was spent on rehabilitation activities at Murrin Murrin, with 155.5 hectares of rehabilitation being completed.

Rehabilitation of 3.5 hectares of the calcrete quarry was also completed during the year, facilitating the sign-off of 105 hectares of calcrete quarry rehabilitation by the Department of Industry and Resources.

Erosion monitoring of existing waste landform rehabilitation to assess stability performance was undertaken in November 2008. Revegetation monitoring was completed in January 2008 on rehabilitated waste landforms and the rehabilitated calcrete quarry.

Additionally, a number of areas were fenced to prevent feral goats grazing on rehabilitation.

Performance

Minara's key environmental performance indicators relate to the close-out of environmental audit actions. These audit actions result from quarterly compliance audits undertaken by the Environment section. The close-out of these audit actions is tracked within the Minara Environment Management System database and reported to managers on their monthly scorecards. The 2008 audit results have been positive and indicate a continued effort to ensure environmental management is at the forefront of planning and operations at Minara.

Compliance

During 2008 the company reported zero environmental incidents to regulatory authorities.

Consultation

Minara attends regular external meetings within the stakeholder community. Minara also holds Murrin Murrin Aboriginal Environmental Liaison Committee (MMAELC) meetings every six months to provide local indigenous representatives with an update on company operations and to provide a forum for questions about operations at Murrin Murrin.

Minara representatives attend the Shire of Laverton meetings on a six-monthly basis to update the Shire on mine site activities.

The Environment department undertakes quarterly visits to Kalgoorlie to meet with the Department of Mines and Petroleum and the Department of Environment and Conservation (DEC) on environmental matters at Murrin Murrin.

The DEC visited the Murrin Murrin site in June 2008 to attend the MMAELC meeting, as well as to conduct a follow-up inspection from its previous visit in December 2007.

The Department of Industry and Resources completed a regulatory audit at Murrin Murrin in August 2008. The site inspection focused on the mining areas and associated rehabilitated waste dumps, with the plant site, heap leach facility, TSF and calcrete operations also being inspected. No new major issues were identified. As a result of this audit, there were significant bond reductions approved within the current rehabilitated areas.

Greenhouse Challenge Plus

Greenhouse Challenge Plus enables Australian companies to form working partnerships with the Australian Government to improve energy efficiency and reduce greenhouse gas emissions. The Murrin Murrin operation joined the Greenhouse Challenge Plus program in 2006.

As part of Minara's commitment to continuous improvement a number of abatement initiatives were implemented during the 2007-08 reporting period to improve energy efficiency and reduce greenhouse gas emissions. These included:

- reduction of steam consumption in the High Pressure Acid Leach (HPAL) autoclaves,
- lowering the dilution of reduction process liquor,
- installation of solar panels at the pastoral station homesteads, and
- optimisation of the Murrin Murrin Operations Mine Plan.

National Pollutant Inventory

To remain compliant with the National Pollutant Inventory (NPI) reporting requirements Minara reports emissions on a financial year basis. Emissions for the most recent NPI reporting period 2007-08 were generally lower than those reported in the previous year. This was due to the plant being offline during the statutory shutdown in late 2007. Some emission levels increased during the year based on stack testing results and the cause of these is currently under investigation.

Energy

Natural gas provides a large proportion of the energy across the site, being used in the boilers and gas turbine. By use of a heat recovery steam generator to recover the heat energy from the exhaust of the gas turbine, efficiency of energy use from natural gas is boosted considerably. Natural gas is also used as a feedstock for the hydrogen plant.

Significant quantities of energy are also produced as a by-product of acid production, with this energy utilised in the form of steam to reduce reliance on natural gas.

Energy Efficiency Opportunities Program

Minara conducted Energy Efficiency Opportunities (EEO) assessments from December 2007 to June 2008. During this period, approximately 90 percent of the company's energy usage was assessed. Minara submitted its first public report for the program in December 2008.

Water Conservation

Water conservation is a key operational priority for Minara and a range of initiatives have been implemented including:

- introducing a pre-leach thickener to optimise the feed slurry into the HPAL circuit,
- optimising the CCD circuit underflow density, and
- using the tailing booster pump station to enable higher density material to be discharged to the TSF.

The high density sludge (HDS) project, which will result in a reduction in overall water consumption, was placed on hold in late 2008 but will deliver the proposed environmental and process benefits when the works are completed.

In addition to minimising water consumption, Minara recycles water whenever practical. Ongoing recycling events include:

- effluent water from the reverse osmosis plant is reused in the calcrete plant and is also used for dust suppression,
- evaporation pond liquor (EPL) is recycled for use as a dilutant in the tailings neutralisation circuit and also as make-up water in the CCD circuit, and
- water recovered from the TSF seepage recovery bores is pumped into the EPL and is also therefore recycled for use as a dilutant.

Water from mining pits as a result of rainfall and excavation is pumped to storage locations before being supplied to the processing plant or utilised for dust suppression. By undertaking water harvesting Minara reduces its abstraction requirements.

Water Use

During 2008, water use at Murrin Murrin increased 1.7 percent from 2007 to an average of 27.3 megalitres per day and a total of 10,002 megalitres for the year. Due to the increased nickel production in 2008 this represents improved water efficiency.

Water Monitoring

Water monitoring is conducted following significant rain events to measure the water quality of creeks connected to the mine site. No detrimental impacts on the creek water quality were detected during the year.

To prevent sediment and potential contaminants from entering the surrounding environment, run off from the plant is captured in a sediment trap and then recycled and pumped back to the plant for use in the process.

During the year, Minara implemented Sampling Measurement Analyses Plans (SMAP) to ensure water sampling is conducted in accordance with AS 5667.1:1998. The SMAP provides a detailed water monitoring program for the site as a whole, including monitoring objectives, schedules, locations, equipment, site safety issues, sampling and measurement protocols, sampling preservation requirements and Quality Assurance/Quality Control requirements and guidelines.

Water levels and quality measurements were conducted on groundwater sampled from production bore sites, regional monitoring bores and stock bores at specific intervals. Monitoring also continued at the TSF and evaporation ponds.

The 2008 geophysical survey was completed in May. Preliminary results indicate that there has been no change in conductivity levels when compared to the results of previous surveys.

Tailings

In December 2008 deposition of in-pit tailings commenced. In this process tailings are piped into a pit which is no longer required for mining. The pit is approximately one kilometre from the current TSF. The benefits of bringing the new in-pit facility online are increased tailings storage capacity, additional drying and consolidation of tailings at the existing facility and an opportunity to reduce surface area disturbance

by filling a mining void which will eventually be rehabilitated.

A seepage management program has been installed for the main TSF and includes a ring of seepage recovery bores around the toe of the TSF.

Waste and Recycling

Minara continues to work towards reducing waste and conducts fortnightly audits in this area. The audits include inspection of the landfill, all site skip bins and general area inspections. Performance is measured against a set of KPIs which are reviewed annually. To monitor performance Minara maintains a database of all recycled waste and waste disposed of at the landfill. A new fenced area has been constructed to store used hydrocarbons safely.

A major recycling program is in place at Minara. This includes recycling for paper/cardboard, non-refillable cylinders, fluorescent light tubes, printer cartridges, IT equipment, scrap metal, timber pallets, personal protective equipment (PPE) and wet-cell battery recycling. In addition further recycling initiatives such as rubber and dry-cell batteries have been initiated.

Procedures relating to the management and operation of the landfill facility, waste management and recycling initiatives are part of Murrin Murrin's EMS and form a critical part of Minara's Environmental Awareness Training program.

COMMUNITY

Minara's community support activities are wide-ranging and encompass numerous sponsorships, donations and scholarships, which provide a variety of benefits in the areas of education, training, transport, communication, economic development, indigenous culture and heritage.

Focusing on the areas surrounding the Murrin Murrin operation, the company's community programs target local residents, community organisations and regional businesses via:

- consultation with a broad range of stakeholders,
- employment and business opportunities, and
- corporate assistance including the Minara Community Foundation and company donations.

Community Consultation

Minara actively seeks to engage community groups, indigenous organisations and government authorities to ensure all stakeholders are informed of current and future plans and to address any community queries.

The Murrin Murrin Aboriginal Environmental Liaison Committee has been running since the project commenced and brings together indigenous representatives and the relevant government regulators and agencies from both Perth and Kalgoorlie.

Two full-day workshops were held in 2008, with the June workshop being held on site and the November workshop taking place at the Mount Margaret Remote Aboriginal Community. These workshops provide information on environmental compliance, sustainability reporting, pastoral activities, future projects including proposed mining activities and current employment and training opportunities.

Minara maintains ongoing consultation with the Shire of Laverton and Shire of Leonora, neighbouring resource sector companies, local pastoralists, and other local stakeholders. In November 2008 the company attended meetings at both Shires to provide an update on the new business plan which was being implemented on site.

Regional Community Support

The Mount Margaret Remote School received funding and in-kind support for a range of initiatives to bring an expert in indigenous education to the region, to facilitate personal and professional development for key staff and to fund flights for a part-time primary teacher.

In addition to cash sponsorships, Minara assists local schools with in-kind support and programs to help them provide meaningful educational experiences for their students. A careers day was held at Murrin Murrin for students from the Laverton School. The program included a tour of the village facilities, meetings with the catering staff and a trip through the industrial kitchens, watching the Emergency Response Team in action at the fire training ground, touring an active mining area and a briefing from the Environment section.

The company also provided a local student in her final year of high school with structured work-place learning.

Minara provided A\$40,000 to Role Models WA to provide Perth-based leadership camps and regional visits for students from Laverton School and the Leonora District High School who achieve behavioural and attendance standards. The aim of this program is to promote healthy lifestyles, possible career pathways and increased self confidence and self worth to the students. The program included regional visits from AFL and other WA-based domestic and international athletes.

Ongoing regional community support in 2008 included:

- A\$28,000 to the Shire of Laverton as a part contribution to the retention subsidy paid to the local doctor,
- A\$30,000 for the Laverton Leonora Cross Cultural Association for the training of local indigenous persons and administration costs associated with running the Laverton Outback Gallery specialising in local indigenous art,
- financial and in-kind donations to local shires and other community groups to host regional events, and
- hire of vehicles for remote Aboriginal communities to attend events in Perth and Kalgoorlie.

The Minara Community Foundation

During 2008 the Minara Community Foundation announced the allocation of its inaugural annual commitment of A\$250,000 in support of nine community projects in the northern goldfields of Western Australia.

The Minara Community Foundation was established in 2007, with an initial contribution of A\$1 million and an annual contribution of A\$250,000 per financial year for an additional five years, to provide long-term benefits to the people of the northern goldfields.

The initial Foundation capital has been invested, while the annual contribution plus a portion of the return on investment is to be made available as grants to the community through a formal application process by interested groups.

A total of 18 applications were received in 2008, with nine projects totalling A\$249,100 approved for funding. Significant commitments included:

- A\$55,000 to the Karlkurla Language & Culture Aboriginal Corporation's Language Maintenance program,
- A\$68,000 to the Menzies Aboriginal Corporation for replacement of a light truck used for community activities, employment and training, and income generating work contracts,
- A\$50,000 to the Shire of Leonora, in support of the annual Leonora Golden Gift community and athletic carnival.

Smaller contributions included funds to establish an orchard and vegetable garden for a remote community and the upgrade of equipment at St John Ambulance in Leonora.

The Minara Community Foundation's partnership structure aligns its governance and administration with the Western Australian Community Foundation, which acts as an independent non-profit organisation to oversee the Foundation's activities. The Foundation will exist in perpetuity, with local communities and future generations benefiting beyond the life of Minara's Murrin Murrin operation.

Volunteering and Fundraising

Throughout the year Minara's employees directly contribute to fundraising initiatives and community projects in the northern goldfields, Perth, and beyond.

In 2008 through the joint efforts of employees, contractors and suppliers A\$10,000 was raised for the Royal Flying Doctor Service at the highly successful annual golf day. Minara matched these funds for a total donation of A\$20,000.

The light vehicle workshop services the Leonora District High School bus and several vehicles owned by local indigenous organisations.

The company is always pleased to be able to assist the efforts of our employees in meaningful community participation. The Minara team in this year's HBF City to Surf exceeded 150 and was made up of employees and their families. In 2008 Minara provided funds for playground equipment for a day care centre in Kangetta, Kenya when two employees travelled at their own expense to the region as part of a Be Kids Australia initiative and also supported staff in the Relay for Life fundraiser for The Cancer Council of Australia (WA).



5 YEAR SUMMARY

	Unit of measure	2008	2007	2006	2005	2004
Production (Packaged) MMJV 100% (MRE share 60%)						
Nickel	tonnes	30,514	27,585	31,524	28,240	27,950
Cobalt	tonnes	2,018	1,884	2,096	1,750	1,982
MRE Financial Data						
Sales revenue	\$million	425.4	783.4	751.9	361.4	369.5
Net gain/(loss) on forgiveness of senior secured creditors	\$million	-	-	-	-	(11.8)
(Loss)/profit for the year	\$million	(19.8)	270.5	337.2	43.8	172.1
Earnings per share (basic) - restated	cents	(3.7)	53.2	66.2	8.4	35.8
Return on shareholders' equity	per cent	(2.4)	38.5	44.6	8.8	32.8
Dividends	\$million	70.0	325.6	267.4	46.4	23.2
Dividends per share	cents	-	40.0	57.5	10.0	5.0
Dividend cover	times	-	1.46	1.27	0.94	7.9
MRE shareholders' equity	\$million	815.0	702.0	755.0	497.1	557.6
Total assets	\$million	1,014.2	964.3	1,047.6	714.3	683.1
Other borrowings	\$million	-	-	24.2	37.7	28.2
Capital Expenditure						
Fixed assets	\$million	77.5	114.3	53.6	62.3	28.3
Other Data						
Number of shareholders	'000	11,477	10,070	6,419	7,321	8,802
Number of shares on issue	million	1,167.8	465.1	465.1	465.1	463.5
Share price						
High	\$	6.69	9.53	6.43	2.32	3.60
Low	\$	0.27	4.60	1.87	1.61	1.56

DIRECTORS' REPORT AND CORPORATE GOVERNANCE STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

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	PAGE
Directors' Report	18
Auditor's Independence Statement	38
Corporate Governance Statement	39



DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

The directors present their report, together with the financial report of Minara Resources Limited (the **company**) and the consolidated financial report of the Consolidated Entity, being the company and its controlled entities, for the period ended 31 December 2008, together with the auditor's report thereon.

DIRECTORS

The directors of the company serving during the period and at the date of this report are:

Peter Coates	(Non-executive Director since 1 April 2008 and Chairman since 9 May 2008)
James Campbell	(Non-executive Director and Chairman until 9 May 2008)
Peter Johnston	(Managing Director and Chief Executive Officer)
John Morrison	(Non-executive Director)
Ivan Glasenberg	(Non-executive Director)
Willy Strothotte	(Non-executive Director)
Malcolm Macpherson	(Non-executive Director)
Markus Ocskay	(Alternate Non-executive Director since 29 December 2008)
Steven Isaacs	(Alternate Non-executive Director until 29 December 2008)

PRINCIPAL ACTIVITIES

The principal activities of the company during the period were the operation of the Murrin Murrin Nickel/Cobalt Project (the **Project** or the **Joint Venture** or **Murrin Murrin**), involving the mining and processing of laterite ore to produce nickel and cobalt, exploration for nickel directly and in joint ventures with third parties and research and development of nickel/cobalt heap leaching and other hydrometallurgical methods of nickel extraction.

DIVIDENDS

One dividend was paid during the period. A fully franked final dividend of 15 cents per share, totalling \$70 million, was paid to shareholders on 25 March 2008 in respect of the financial year ended 31 December 2007.

This compares with a fully franked final dividend of 45 cents per share paid to shareholders on 24 March 2007 and a fully franked interim dividend of 25 cents per share paid to shareholders on 21 September 2007.

There was no dividend declared or proposed for the financial year ended 31 December 2008.

REVIEW OF OPERATIONS AND RESULTS

Consolidated Entity's Financial Results (\$ million)

	12 Months Ended 31 December 2008	12 Months Ended 31 December 2007
Revenue from operations	425.4	783.4
Gross profit	8.4	403.3
(Loss)/profit before tax	(26.9)	369.2
(Loss)/profit for the year	(19.8)	270.5
Nickel production (tonnes)	18,308	16,551

For the 12 months ended 31 December 2008, the company recorded a consolidated gross profit of \$8.4 million (2007: \$403.3 million) and a loss for the year of \$19.8 million (2007: Profit \$270.5 million) after allowances and write-downs of \$8.7 million (2007: \$8.2 million).

Cash and cash equivalents on hand at 31 December 2008 was \$142.5 million (2007: \$156.7 million).

Shareholders' equity (consolidated) increased from \$702 million at 31 December 2007 to \$815 million at 31 December 2008 after taking into account the fully underwritten renounceable pro-rata rights issue of \$203 million net of fees, and payment of the dividend totalling \$70 million during 2008, and earnings during the period.

CORPORATE

On 29 October 2008 the company announced a fully underwritten renounceable pro rata rights issue (**Rights Issue**) to eligible shareholders, being holders of shares in the company with a registered address in Australia, New Zealand or Switzerland as at the record date of 10 November 2008. The company announced that pursuant to the Rights Issue it would issue up to 700,680,000 fully paid ordinary shares in the capital of the company at an issue price of \$0.30 each, to

raise approximately \$210 million (before costs). The new shares were offered to eligible shareholders on the basis of 3 new shares for every 2 ordinary shares held in the company. The issue price of \$0.30 represented a 12% discount to the closing share price on 28 October 2008 and a 32% discount to the last five day moving volume weighted average price in the period to 28 October 2008.

The Rights Issue was fully underwritten by the company's major shareholder, Glencore International AG (**Glencore**).

The number of shares in the capital of the company offered under the Rights Issue for which valid applications had not been received was 169,675,587 (**Shortfall**). The Shortfall was subscribed for by Glencore under the underwriting agreement between Glencore and the company dated 28 October 2008.

On 5 December 2008 the company issued 700,670,353 fully paid ordinary shares in the capital of the company, having raised approximately \$210 million (before costs) pursuant to the Rights Issue. On allotment of the new shares, Glencore's holding in the company increased from 262,061,669 shares (56.1%) to 824,829,760 shares (70.63%).

Net proceeds from the Rights Issue were applied to repay short term debt and to fund committed capital expenditure. The remaining funds provide the company with working capital to underpin ongoing operations.

At the date of this report, the major shareholder of the company is Glencore with a 70.63% shareholding.

Operations

Production at Murrin Murrin for the 12 months to 31 December 2008 was 30,514 tonnes of nickel (2007: 27,585 tonnes) and 2,018 tonnes of cobalt (2007: 1,884 tonnes). The company's share is 60%.

During the first half of 2008, 15,022 tonnes of nickel and 999 tonnes of cobalt were produced. Production for the first half of the year was impacted by several events. During the first two weeks of January production was affected by the successful annual planned sinter furnace maintenance. In the final week of March, production was affected by a series of unrelated electrical control system failures on the major generation units.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

As a result of the fire at Apache Energy's Varanus Island facility on 3 June 2008, gas supply to the Murrin Murrin plant was interrupted and the plant was non operational for five days. After securing additional gas supplies the plant operated at two-thirds capacity through until the first week of July. When the plant was restarted one of the autoclave circuits suffered a rapid depressurisation event resulting in some damage to associated piping, pumps and cabling. An insurance claim has been lodged.

During the second half of 2008, 15,492 tonnes of nickel and 1,019 tonnes of cobalt were produced. Packaged production for the second half of the year was impacted by a successful 12 day planned maintenance shutdown to repair duct work in the acid plant. This work was combined with a planned line changeover in the mixed sulphide area. In December the construction and commissioning of the refinery wet metals upgrade was completed. December also saw the commencement of in-pit deposition of tailings following the receipt of the appropriate regulatory approvals.

Responding to the business pressures created by deteriorating economic and market conditions, a new business plan was successfully implemented in the second half of 2008. The business plan focuses on cost saving initiatives including a reduction in fixed and variable operating costs, a new mine plan focussed on low magnesium ores to reduce sulphur consumption, a reduction in the number of contractors and employees and reduced capital expenditure. Implementation of the new plan was completed by year's end. While considerable cost savings were achieved across the second half of 2008 the full impact of these will be realised during 2009.

Capital Program

Major project works in execution included the high density sludge project (HDS), the 6th reduction autoclave for the refinery, the split feed cobalt extraction project in the solvent extraction plant, in pit tailings deposition and the refinery wet metals upgrade. A summary of each is as follows:

HDS

The HDS project was aimed primarily at increasing ore leach throughput by de-constraining the plant's CCD circuit. This project was in full construction up until the last quarter of 2008 when the decision was made to suspend further work on the project. \$37.8m (Minara's share) was incurred on this project in 2008. The project is expected to be completed on budget once recommencement of the works is approved.

6th Reduction Autoclave

This project will deliver a 6th reduction autoclave unit which will operate in parallel to the existing five reduction vessels in the refinery's nickel circuit. The project has been completed to the point of definitive feasibility engineering and delivery of the autoclave is expected in mid 2009. Further construction activities at Murrin Murrin to install the autoclave have been deferred. The 2008 project cost was \$1.5 million (Minara share).

Split Feed Cobalt Extraction

The split feed cobalt extraction project is aimed at increasing nickel strength (concentration) into the refinery area to increase the refinery throughput. This project also has been partly constructed with some major units on site. Further work on the project was deferred in the third quarter of 2008. The 2008 project cost was \$0.9 million (Minara Share).

In Pit Tailings Deposition

This project delivers operating flexibility via discharging of tailings into completed mining pits to complement the existing tails cells operation, allowing for a reduction in cost of tailings disposal along with flexibility provided for the tails cell lift requirements. This project was successfully commissioned in December with the 2008 project cost at \$1.6 million (Minara share).

Refinery Wet Metals Upgrade

The refinery wet metals upgrade was commissioned in December 2008 with the 2008 project cost at \$7.6 million (Minara share). The wet metals project provides significant operating flexibility and production rate improvement for the metals handling system in the refinery with the addition of a new dryer, filter and conveyors.

Heap Leach Project

During the course of the year, the Consolidated Entity pursued feasibility studies into major expansion opportunities at Murrin Murrin, primarily based on the heap leach technology under demonstration at the site. Given the deteriorating financial justifications during the year influenced by commodity prices, these programs were suspended.

The Heap Leach Project continued to produce positive results from the demonstration heaps and the downstream plant integration.

Pads 1, 2 and 3 all approached terminal metal extraction as the year progressed. The planned water flushing phase of the leach cycle for these heaps, to recover their residual metal inventories, was successfully implemented. A total of 321,564 tonnes (dry) of scats (reject material from the ore processed for HPAL) was stacked for the year on pads 4, 5 and 6.

The project resulted in the production of 1,782 tonnes nickel and 112 tonnes cobalt, with an additional 44 tonnes nickel also being added to solution inventory. Production was in line with forecast taking into account the 2007 major plant shutdown and the mid-year reduction in the stacking rate. Reagent consumptions were in line or better than expectation, although operating costs were negatively impacted by the high sulphur pricing for the year.

The project continues to achieve its technical targets. Scats leaching is now considered commercially proven. However, there is significant scope for further optimisation, which is being pursued in 2009. The demonstration of ore leaching has also been successful with final confirmation of target nickel and cobalt recovery due in the second quarter of 2009. On a project to date basis approximately 50% of the nickel metal contained in the stacked ore and scats has been dissolved and processed.

Integration of the Heap Leach solutions into the existing plant has been proven. Further minor upgrades within the plant have assisted with the solution integration and have resulted in an ability to process leach liquor even when process conditions fall outside the original design criteria.

The Heap Leach demonstration plant has also proven the ability to provide additional flexibility to the existing plant during periods of sub optimal operation.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

Exploration

Irwin Hills – Coggia Well JV (Murrin Murrin JV 60%)

The Irwin – Coggia Project contains an inferred and indicated resource of 17.9 million tonnes at 1.07% nickel and 0.13% cobalt at a 0.8% nickel cutoff.

Further targets to extensions of the inferred and indicated resources were assessed during the year with the eastern ultramafic identified as a potential repetition of the western ultramafic which hosts the known mineralisation. Targets for nickel sulphide exploration derived from anomalous nickel-Cu-PGE occurrences have also been refined. Testing of these targets will occur when financial conditions are favourable.

Bardoc Nickel JV (Minara Resources 100%)

The Bardoc Project is located south of the Scotia Nickel sulphide deposit and is considered prospective for Scotia style nickel sulphide mineralisation. Minara acquired the remaining 30% of the nickel rights from Nickelore Ltd during the year and now holds 100% of the nickel rights to the Bardoc Project.

Target generation has continued on the Project and priority targets will be drilled when financial conditions are favourable.

Mt Margaret (Murrin Murrin JV 100%)

The Mt Margaret project contains significant upgradeable nickel laterite mineralisation.

Studies assessing the viability of a heap leach processing route for the Mt Margaret nickel laterite were suspended during the year. These studies will resume when prevailing financial conditions improve.

Weld Range JV (Minara Resources 75%)

The Weld Range project contains significant nickel laterite mineralisation located in the Murchison region of Western Australia.

Planning of infill drilling to define a JORC compliant resource for the nickel laterite mineralisation was completed during the year. A substantial drillhole rehabilitation project was also completed during the year. The planned drilling program has been deferred and Minara is assessing options for continued development of the Project.

Mt Rankin and Collurabbie JVs (Minara Resources earning 70%, Gryphon Minerals Ltd managing)

The Mt Rankin Project is located in the Forresteria region.

The Collurabbie Project is located in the Collurabbie region.

Subsequent to the financial year-end Minara has withdrawn from these joint ventures.

Health and Safety

Minara's safety performance is measured by Lost Time Injury Frequency Rate (**LTIFR**) and Disabling Injury Frequency Rate (**DIFR**).

The combined LTI/DIFR 12 month rolling average for December 2008 was 3.83 (2007: 4.53).

The DIFR 12 month rolling average ("12MRA") to 31 December 2008 was 1.64 (2007: 3.02). The LTIFR 12 month rolling average ("12MRA") to 31 December 2008 was 2.19 (2007: 1.51).

There has been a significant improvement in the trend in DIFR from 2007 to 2008.

Focus during 2009 will be on an All Injury Frequency Rate (**AIFR**), including first aid cases and the implementation of a "No Harm, Safe Process" plan for each department.

Environment

During 2008 the Consolidated Entity had no environmental incidents reportable to regulatory authorities.

METAL MARKETS

Nickel and cobalt prices decreased significantly during 2008 as shown in Figures 2 and 3.

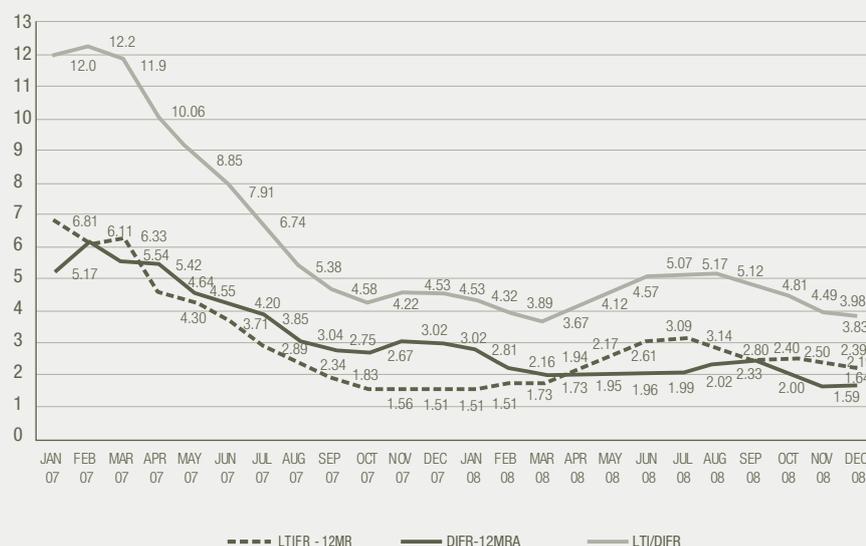
The demand for nickel and cobalt reduced during the latter part of 2008 in line with the weaker outlook on the global economy resulting in both nickel and cobalt prices falling dramatically during 2008.

During 2008 LME nickel stocks increased from 47,940 tonnes to 78,390 tonnes.

Nickel prices started the year at US\$26,505/tonne, peaking at US\$33,300/tonne in March before ending the year at US\$11,609/tonne. Cobalt prices finished the year at US\$10.50/pound.

Figure 1

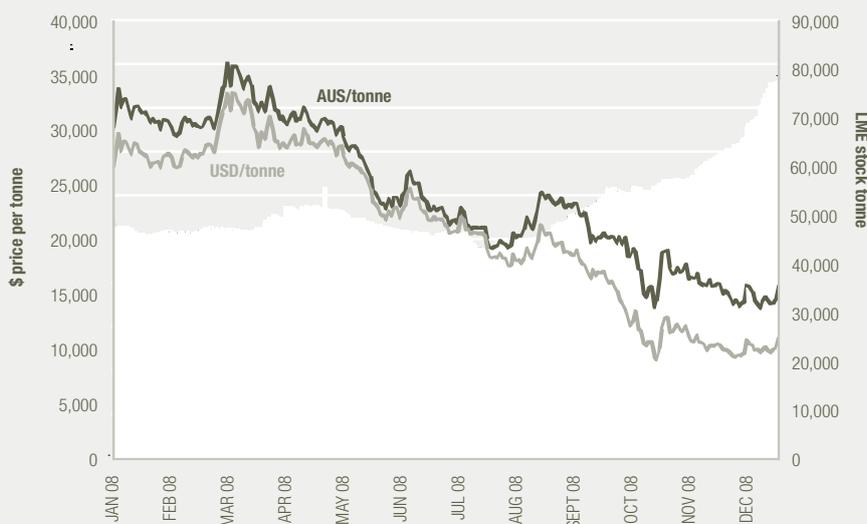
MINARA RESOURCES MURRIN MURRIN INJURY FREQUENCY RATES FOR ALL EMPLOYEES 12 MONTH ROLLING AVERAGE



DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

Figure 2

DAILY NICKEL CASH PRICE - LONDON METAL EXCHANGE



SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as reported there were no significant changes in the state of affairs of the Consolidated Entity during the period.

EVENTS SUBSEQUENT TO BALANCE DATE

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

The Consolidated Entity will continue to focus on improving the performance of the Project with a view to delivering maximum value to all shareholders.

ENVIRONMENTAL REGULATION

The company's environmental management, monitoring and reporting obligations are imposed under local, state and Commonwealth legislation. The key legislation governing the Project includes, but is not limited to, the *Mining Act 1978* (WA), the *Environmental Protection Act 1986* (WA) and the *Energy Efficiency Opportunities Act 2006* (Cth).

Minara assessed 90% of its energy use during 2008 and submitted its first public report in December 2008, to ensure compliance with mandatory reporting requirements under the *Energy Efficiency Opportunities Act*.

All environmental performance obligations during the period were monitored by the Risk Management & Compliance Committee and carried out by the on site environment department. The company has a policy of ensuring that all activities are in accordance with regulatory requirements.

Figure 3

COBALT PRICE - METAL BULLETIN 99.3% LOW PRICE



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DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

INFORMATION ON DIRECTORS

The directors of the company at any time during or since the end of the financial period, including the qualifications and experience of directors serving at the date of this report, are:

Peter Coates BSc (Mining Engineering) – Age 63

Chairman (since 9 May 2008)

Independent Non-Executive Director

(since 1 April 2008)

Non-executive director since 1 April 2008, Mr Coates was appointed Chairman on 9 May 2008. He is also Chairman of the Nomination & Remuneration Committee.

Until December 2007, Mr Coates was the Chief Executive Officer of Xstrata Coal, Xstrata plc's global coal business.

Mr Coates was a member of the APEC 2007 Business Consultative Group and the Prime Minister's Emission Trading Task Group as well as past Chairman of the Minerals Council of Australia and past Chairman of the New South Wales Minerals Council and the Australia Coal Association.

In addition, Mr Coates is currently Chairman of Xstrata Australia, non-executive director and Deputy Chairman of Santos Limited and non-executive director of Downer EDI Limited.

James Campbell BSc (QU Belfast), MA (Cantab) – Age 59

Chairman and Independent Non-Executive Director

(until 9 May 2008)

Non-executive director since September 1999, Mr Campbell was appointed Chairman in November 2001. He retired from the Board on 9 May 2008. Mr Campbell was also Chairman of the Nomination & Remuneration Committee until his retirement on 9 May 2008.

Mr Campbell joined Anglo American Corporation of South Africa Limited (AAC) in 1975 as a management trainee and moved into the coal division in 1976 where he worked until 1993 when he left as Managing Director to take up the position of Managing Director at De Beers Industrial Diamond Division. Mr Campbell held this position until 1998 when he returned to AAC as Chairman of Amcoal. Mr Campbell was appointed a director of the company on 22 September 1999 as a nominee of the Anglo American plc Group and became an independent member of the Board in October 2001 following his resignation from Anglo American plc.

Peter Johnston BA, FAusIMM, FAICD – Age 57

Managing Director & Chief Executive Officer

Managing Director & Chief Executive Officer since 28 November 2001, Mr Johnston was formerly employed by WMC Resources Ltd from 1993 to 2001. During that period he held the position of Executive General Manager and at various times was responsible for the nickel and gold operations, Olympic Dam Operations, Queensland Fertilizers Ltd and human resources. He has also held senior positions with Lion Nathan Australia and Alcoa of Australia Limited.

Mr Johnston is Chairman of the Nickel Institute, Vice Chairman of the Minerals Council of Australia, an Executive Council member and past President of the Chamber of Minerals & Energy (WA), and a director of the Australian Mines and Metals Association.

Mr Johnston is currently a director of Emeco Holdings Limited and Silver Lake Resources Limited.

Ivan Glasenberg B.Acc, MBA (USC), CA.SA – Age 52

Non-Executive Director

Non-executive director since December 2000 as a nominee of Glencore, Mr Glasenberg is also a member of the Nomination & Remuneration Committee.

Mr Glasenberg joined Glencore International AG (Glencore) in 1984 and was appointed Chief Executive Officer of Glencore on 2 January 2002. He became the Head of Coal in 1990 after having worked in the coal department in South Africa for three years and in Australia for two years. He managed Glencore's Hong Kong office during the period 1988-1989. Prior to joining Glencore, he worked for five years at Levitt Kirson Chartered Accountants. Mr Glasenberg has been a director of Glencore and a member of its Board since June 2001.

Mr Glasenberg is a director of Xstrata plc.

Willy Strothotte – Age 64

Non-Executive Director

Non-executive director since May 2001 as a nominee of Glencore.

Mr Strothotte is Chairman of Glencore. From 1961 to 1978 Mr Strothotte held various positions with responsibility for international trading in metals and minerals in Germany, Belgium and the USA. In 1978 Mr Strothotte joined Glencore, taking up the position of Head of Metals and Minerals in 1984.

Mr Strothotte was appointed Chief Executive Officer of Glencore in 1993 and held the combined positions of Chairman and Chief Executive Officer from 1994 until 2001.

Mr Strothotte is director and Chairman of Xstrata plc, a director of Century Aluminum Corporation and a director of KKR Financial Holdings LLC.

John Morrison BE (Hons), MBA, MAusIMM, MAICD – Age 46

Independent Non-Executive Director

Non-executive director since December 1999, Mr Morrison is currently Chairman of the Audit Committee and a member of the Risk Management & Compliance Committee and the Nomination & Remuneration Committee.

Mr Morrison is an executive director of Grant Samuel, a leading independent investment bank. He has broad experience in the finance and natural resources industry and since 1990 has been involved in providing advice to corporations in mergers, acquisitions, valuations, restructurings, financing and capital management. Prior to this he worked in engineering and construction in Australia and in the United Kingdom.

Mr Morrison is also a non-executive director of HFA Accelerator Plus Limited.

Malcolm Macpherson

BSc (Canterbury), Cert.Acctg, FAICD, FAusIMM, FTSE – Age 64

Independent Non-Executive Director

Non-executive director since April 2002, Mr Macpherson is the chairman of the Risk Management & Compliance Committee and a member of the Audit Committee and the Nomination & Remuneration Committee.

Before joining the Board, Mr Macpherson was Managing Director & Chief Executive Officer of Iluka Resources Limited, a major West Australian resources company. In addition to his previous board appointments, Mr Macpherson served as Senior Vice President of the Minerals Council of Australia in 2000 and as President of the Chamber of Minerals & Energy (WA) between 1990 and 1994. He is also a director of the Cooperative Research Centre for Sustainable Resource Processing.

Mr Macpherson is also a director of Titanium Corporation Inc, Range River Gold Limited and director and Chairman of Pluton Resources Limited.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

Steven Isaacs

B Com, B Acc, MBA CASA (South Africa) – Age 45

Alternate Non-Executive Director

Mr Isaacs was the alternate non-executive director for Mr Strothotte from December 2000 until 29 December 2008. Mr Isaacs was also a member of the Audit Committee and the Risk Management & Compliance Committee.

Mr Isaacs joined Glencore in 1995 to focus on nickel and copper project development. Since 2003 Mr Isaacs has been responsible for Glencore Finance AG, a financial markets investment vehicle. Prior to joining Glencore, Mr Isaacs worked for Investec Bank in the corporate finance division.

Markus Ocskay MBA (Switzerland) – Age 41

Alternate Non-Executive Director

Mr Ocskay was appointed the alternate non-executive director for Mr Strothotte on 29 December 2008 and is a member of the Audit Committee and the Risk Management & Compliance Committee.

Mr Ocskay joined Glencore in 1998 to focus on corporate finance projects, debt capital market transactions and investors/public relations. Prior to joining Glencore, Mr Ocskay worked for UBS in the Structured Finance division in Zurich, London and Sydney.

COMPANY SECRETARY

Cynthia Sargent BSL, JD – Age 44

Ms Sargent was appointed Company Secretary and General Counsel of Minara with effect from 10 January 2008. She is also secretary to the various Board committees. Prior to joining the company Ms Sargent was a partner at Clayton Utz.

Cassandra Walsh LLB (Hons), BA – Age 34

Ms Walsh was Company Secretary and secretary to the various Board committees from 31 May 2006 until 10 January 2008. She was also General Counsel of Minara until 10 January 2008, having joined the company in August 2005. Ms Walsh was formerly employed by WMC Limited as corporate counsel from 2001 to 2005.

MEETINGS OF DIRECTORS

The number of directors' meetings and committee meetings attended by each of the directors of the company during the year to 31 December 2008 are shown in Table 2.

Table 1: Directorships of other listed companies

Name	Company	Period of Directorship
P Coates	Santos Limited*	2008 – present
	Downer EDI Limited	2008 – present
	Cumnock Coal Limited**	1994 – 2008
	Jubilee Mines NL	February 2008 – April 2008
J Campbell	Evraz Group SA	2004 – present
	Highveld Steel and Vanadium Corporation	2006 – present
P Johnston	Emeco Holdings Limited	2006 – present
	Silver Lake Resources Limited	2007 – present
I Glasenberg	Xstrata plc	2002 – present
W Strothotte	Xstrata plc****	2002 – present
	Century Aluminum Corporation	1996 – present
	KKR Financial Holdings LLC	2007 – present
	HFA Holdings Limited	2006 – 2007
J Morrison	HFA Accelerator Plus Limited***	2004 – present
	Titanium Corporation Inc.	2005 – present
M Macpherson	Range River Gold Limited	2008 – present
	Pluton Resources Limited****	January 2009 – present
	Portman Limited	2003 – 2008
	Azumah Resources Limited****	2005 – 2006
S Isaacs	Milacron Inc.	2004 – 2007

* Deputy Chairman

** Managing Director from 1999 to 2008

*** Chairman from 2004 to 2007

**** Chairman

Table 2: Directors' and Committee Meetings 2008

Directors	Directors' Meetings		Audit Committee Meetings		Risk Management & Compliance Committee Meetings		Nomination & Remuneration Committee Meetings	
	Attended	Eligible to Attend ⁽¹⁾	Attended	Eligible to Attend ⁽¹⁾	Attended	Eligible to Attend ⁽¹⁾	Attended	Eligible to Attend ⁽¹⁾
P Coates	5	5	-	-	-	-	1	1
J Campbell	3	3	-	-	-	-	1	1
P Johnston	7	7	-	-	-	-	-	-
J Morrison	7	7	3	3	3	3	2	2
I Glasenberg	7	7	-	-	-	-	2	2
W Strothotte	5	7	-	-	-	-	-	-
M Macpherson	7	7	3	3	3	3	2	2
S Isaacs ⁽²⁾	2	2	3	3	2	3	-	-
M Ocskay	-	-	-	-	-	-	-	-

(1) Reflects the number of meetings held during the time the directors held office during the year that the respective director was eligible to attend as a member.

(2) Directors' meetings attended by Mr S Isaacs were in his capacity as an alternate director for Mr W Strothotte.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

REMUNERATION REPORT

(PAGES 24 TO 35) – AUDITED

Nomination & Remuneration Committee

The Board is responsible for overseeing the remuneration policy and practices of the company and its subsidiaries (the **Group**) and the selection and appointment of directors and senior management.

The role of the Nomination & Remuneration Committee is to make recommendations to the Board in relation to:

- the Group's overall remuneration strategy;
- the remuneration, superannuation, recruitment, retention and termination arrangements, policies and procedures for the Chief Executive Officer, non-executive directors and senior management;
- the necessary and desirable competencies of directors;
- review of Board succession plans;
- the development of a process for evaluation of the performance of the Board, its committees and directors;
- the appointment and re-election of directors; and
- the appointment of the Company Secretary and Chief Financial Officer.

All members of the Committee are non-executive directors. The members at the date of this report are Mr Coates (Chairman), Mr Glasenberg, Mr Morrison and Mr Macpherson. The Company Secretary acts as secretary to the Committee.

The Remuneration Committee met twice during 2008.

The Committee complies with the Principles of Good Corporate Governance and Best Practice Recommendations set out in the Listing Rules of the Australian Securities Exchange.

REMUNERATION PRINCIPLES

The Board and the Nomination & Remuneration Committee recognise that the Minara companies must offer competitive remuneration to attract, retain and motivate people of the highest calibre.

Table 3: Minara 5 Year Performance

Per Share	31-Dec-03	31-Dec-04	31-Dec-05	31-Dec-06	31-Dec-07	31-Dec-08
Basic earnings per share (cents) re-stated		35.82	8.41	66.21	53.24	(3.70)
Number of shares on issue (million) – at year end		464	465	465	465	1,168
Closing share price (cents)	297	185	190	585	623	28.5
Capital return (cents)		20	-	-	-	-
Dividends declared in respect of the period (cents)		5.0	10.0	57.5	40.0	-
Total changes in shareholder value (cents)		(87)	15	452.5	78	(595)

The remuneration package for executives and senior management comprises base salary, site allowance (if applicable), short and long-term incentive plans and superannuation benefits. The survival and success of Minara will be heavily dependent on the ability of the executive and senior management team at Minara to deliver results over the short to medium term. The variable (at risk) pay structure for this group assists with the following objectives:

- provide a focus on the key business success factors for the next 12 – 18 months;
- provide an opportunity for executives to share in the success of Minara;
- aid in the retention of critical executive skills in a challenging work environment; and
- provide competitive overall reward for successful performance while limiting the growth in fixed pay.

The future success of Minara's operations and its ability to deliver superior returns to its shareholders is to a large extent influenced by the quality and depth of management that it is able to attract and retain. Accordingly, the Board has implemented a remuneration policy at Minara that is designed to attract, retain, motivate and align its executives ensuring that business generates strong returns on both the equity and capital employed in its operations.

The remuneration of an executive or manager for performance is linked to annual business performance

of the company via a Short Term Incentive Scheme (**STI Scheme**) and to the ability of the company to generate competitive rates of return from a shareholder perspective via the Long Term Incentive scheme (**LTI Scheme**). The LTI Scheme awards incentives based on superior total shareholder returns versus a group of comparable companies.

A summary of the Consolidated Entity's 5 year performance is shown in Table 3.

Basic earnings per share calculations have been re-stated for the effects of the bonus element relating to the fully renounceable pro-rata rights issue made in 2008 (refer to Note 18 to the Financial Statements).

REMUNERATION STRUCTURE

This report discloses remuneration details for the Managing Director & Chief Executive Officer, non-executive directors and executives.

Remuneration of Executives

Remuneration for executives is comprised of:

- fixed remuneration, which is made up of base salary, superannuation, site allowance (where applicable), medical allowance together with other salary sacrifice items such as novated leases and car parking (with fringe benefits tax obligations being met by the relevant employee); and
- variable remuneration, which is linked to the performance of the company and the relevant executive.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

The remuneration structure is designed to reflect an appropriate balance between fixed and variable remuneration to ensure that the company's executives are rewarded in a manner which aligns with the Consolidated Entity's performance.

Fixed Remuneration

Base Salary

Base salaries are determined by reference to the size and influence of the role, and the executive's performance and experience. Comparative data is also obtained from a group of Australian companies within the resources sector with similar operating revenues and market capitalisation. Base salaries are reviewed in December each year.

Site Allowance

Site Allowance is a fixed cash component of all site-based employees. This cash component is \$17,000 per annum and is included as part of employee's total salary.

Medical Allowance

Medical Allowance was introduced as a component of employee's total salary. Each employee receives a medical allowance of \$1,500 per annum. If an employee has private family medical cover, they are eligible to receive \$3,000 per annum. This allowance is a fixed cash component.

Superannuation

Minara has established accumulation superannuation accounts for its employees. With effect from 1 January 2007, the company contributes 12% of an individual's total salary.

Variable Remuneration

During 2008, executives, other than the Managing Director & Chief Executive Officer, were entitled to participate in the STI Scheme and LTI Scheme.

The STI Scheme aims to align executives' rewards with the company's physical performance and the LTI Scheme aims to align executives' rewards with the interests of shareholders through the company's market performance.

Tables 11 and 13 set out the STI and LTI awards received by disclosed executives during 2008 as a percentage of total remuneration.

SHORT TERM INCENTIVE SCHEME

The Board approved the company's STI Scheme in June 2005 and amended it in January 2007.

Other than the Managing Director & Chief Executive Officer, every employee is entitled to participate in the STI Scheme. However, the level of opportunity for reward of nominated executives and managers is determined by an individual's role within the company and his or her capacity to affect the business of the company.

Performance criteria relating to production and costs form the basis of the STI Scheme. The performance criteria set are consistent for all participants in the STI Scheme and are designed to optimise operational performance, returns on capital and shareholder equity, together with safe operating practices. The criteria are tracked and reported on throughout the operation on a daily basis.

Table 4: Targets and at Risk Payment STI Scheme

	Bronze	Silver	Gold
At risk	Up to 40% of Incentive Entitlement	Up to 80% of Incentive Entitlement	Up to 100% of Incentive Entitlement

Any award made under the STI Scheme, including those made to the disclosed executives during the period, is in the form of cash and is subject to standard taxation.

STI Scheme 2008

During 2008, bronze level required achievement of the targeted performance of the company in respect of the criteria set by the Board (production, mining, plant reliability and utilisation and costs). No additional payment was made if achievement exceeded the gold level and no award was payable in the event that the bronze level of achievement was not met.

Performance criteria were set and measured on a monthly basis.

During 2008, the maximum STI award available to the Chief Financial Officer, the General Manager Operations and the Projects Director was 60% of fixed remuneration with a maximum incentive of 40% of fixed remuneration available to other disclosed executives.

STI Scheme 2009

Following from the 2008 STI Scheme, performance criteria of production and costs continue to be set and measured on a monthly basis.

During 2009, the maximum STI award available to the Chief Financial Officer and the General Manager Operations is 60% of fixed remuneration with a maximum incentive of 40% of fixed remuneration available to other disclosed executives.

LONG TERM INCENTIVE SCHEME

In June 2003 the Board approved the implementation of a long term incentive scheme (**LTI Scheme**) pursuant to which, subject to the satisfaction of certain performance criteria, nominated executives would be entitled to receive options to acquire shares in the company. In 2006 and 2008 the Board approved minor amendments to the LTI Scheme to better align potential rewards with the company's market performance.

The intention of the scheme is to:

- encourage executives to focus on longer term company performance;
- strengthen the link between company performance and executive reward;
- aid retention of key executives; and
- deliver a competitive remuneration package for executives in line with the company's target market position.

LTI Scheme 2007

Executives and nominated employees were invited to participate in the 2007 LTI Scheme. The 2007 LTI Scheme was substantially the same as the 2006 LTI Scheme.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

The invitations sent to executives and nominated employees set out the rules of the LTI Scheme which had previously been approved by the Board in June 2003 and included the performance criteria for the award of performance rights. The maximum number of performance rights at risk for each participant was determined by an individual's role within the company and his or her capacity to affect the business of the company. The maximum number of performance rights to which each participant was entitled was determined by a specified percentage of that participant's salary divided by \$5.81, being the volume weighted average price of the company's share price for the last 5 trading days up to 31 December 2006.

During 2007 the maximum LTI award available to the Chief Financial Officer and the General Manager Operations was 80% of fixed remuneration with a maximum incentive of 60% of fixed remuneration available to other disclosed executives.

The key terms of the performance rights granted under the 2007 LTI Scheme are as follows:

- each performance right is personal and non-assignable;
- holders of performance rights are not entitled to participate in new issues of securities offered to shareholders other than a bonus issue;
- the performance rights are subject to the satisfaction of certain performance hurdles;
- options over unissued shares will be granted following satisfaction of the performance hurdles;
- options have a nil exercise price;
- options will not vest before 1 January 2009;
- each option will expire if not exercised by 5 pm WST on 31 December 2011;
- the performance rights or any options granted do not attract the benefit of share ownership including dividend or voting entitlements prior to vesting; and
- the directors may, notwithstanding the satisfaction of any performance or other hurdles, at any time prior to shares being allotted on vesting of the performance rights or options to a participant, determine that all performance rights and options granted on a particular date will lapse.

The principal performance hurdle related to the total shareholder return of the company, when ranked against a comparator group of companies, over the period 1 January 2007 to 31 December 2007. The comparator group of companies is set out in Table 5.

For the purposes of the 2007 LTI Scheme, total shareholder return (**TSR**) is defined as the percentage difference between the market price of the relevant shares at the start and end of the reporting period plus dividends and all other returns or payments to shareholders over the same period. It therefore measures both capital growth in share price together with income returned to shareholders. This is measured on a relative basis against the comparator group of companies.

The key terms of the performance rights under the 2007 LTI Scheme were the same as the key terms for the 2006 LTI Scheme.

The comparator group of companies for the 2007 LTI Scheme was as follows:

Table 5: 2007 Comparator group of companies

Security	Description
AWC	Alumina Limited
AQP	Aquarius Platinum Limited
BGF	Ballarat Goldfields NL
BDG	Bendigo Mining Limited
BHP	BHP Billiton Limited
CBH	CBH Resources Limited
CSM	Consolidated Minerals Limited
CRT	Consolidated Rutile Limited
ILU	Iluka Resources Limited
IGO	Independence Group NL
JBM	Jubilee Mines NL
KZL	Kagara Zinc Limited
KIM	Kimberley Diamond Company NL
KCN	Kingsgate Consolidated Limited
LHG	Lihir Gold Limited
LIM	LionOre Mining International Limited
MRE	Minara Resources Limited
MCR	Mincor Resources NL
NCM	Newcrest Mining Limited
OXR	Oxiana Limited
RIO	Rio Tinto Limited
SMY	Sally Malay Mining Limited
SRL	Straits Resources Limited
WSA	Western Areas NL
ZFX	Zinifex Limited

Table 6 (opposite) lists the performance target that applied and the percentage of the maximum number of performance rights that were at risk.

Subject to the Directors' approval, if the minimum performance criteria were satisfied for the 2007 LTI Scheme, performance rights would have been granted to participants as soon as practicable after 1 January 2008. However, options would only be granted on 1 January 2009 and only if the relevant participant remained employed by the group at that time.

As the minimum performance criteria were not satisfied during the period 1 January 2007 to 31 December 2007, no performance rights were granted and no options were issued pursuant to the 2007 LTI Scheme.

LTI Scheme 2008

Executives and nominated employees were invited to participate in the 2008 LTI Scheme. The 2008 LTI Scheme was substantially the same as the 2007 LTI Scheme.

The invitations sent to executives and nominated employees set out the rules of the LTI Scheme which had previously been approved by the Board in 2003 and amended in 2008 and included the performance criteria for the award of performance rights. The maximum number of performance rights at risk for each participant was determined by an individual's role within the company and his or her capacity to affect the business of the company. The maximum number of performance rights to which each participant was entitled was determined by a specified percentage of that participant's salary divided by \$6.16, being the volume weighted average price of the company's share price for the last 5 trading days up to 31 December 2007.

During 2008 the maximum LTI award available to the Chief Financial Officer, the General Manager Operations and the Projects Director was 80% of fixed remuneration with a maximum incentive of 60% of fixed remuneration available to other disclosed executives.

The key terms of the performance rights granted under the 2008 LTI Scheme are as follows:

- each performance right is personal and non-assignable;
- holders of performance rights are not entitled to participate in new issues of securities offered to shareholders other than a bonus issue;

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

Table 6: 2007 LTI Scheme Target

Performance Target	Below 50th Percentile	Ranking at or above 50th percentile	Ranking at or above 60th percentile	Ranking at or above 75th percentile
TSR	Nil	50%	70%	100%

- the performance rights are subject to the satisfaction of certain performance hurdles;
- performance rights will not vest before 1 January 2010;
- the performance rights do not attract the benefit of share ownership including dividend or voting entitlements prior to vesting;
- performance rights have a nil exercise price;
- shares will be issued at a nil exercise price on or around 1 January 2010 following satisfaction of the performance hurdles; and
- the directors may, notwithstanding the satisfaction of any performance or other hurdles, at any time prior to shares being allotted on vesting of the performance rights or options to a participant, determine that all performance rights and options granted on a particular date will lapse.

The principal performance hurdle related to the total shareholder return of the company, when ranked against a comparator group of companies, over the period 1 January 2008 to 31 December 2008. The comparator group of companies is set out in Table 7.

For the purposes of the 2008 LTI Scheme, TSR is defined as the percentage difference between the market price of the relevant shares at the start and end of the reporting period plus dividends and all other returns or payments to shareholders over the same period. It therefore measures both capital growth in share price together with income returned to shareholders. This is measured on a relative basis against the comparator group of companies.

The comparator group of companies for the 2008 LTI Scheme was as follows:

Table 7: 2008 Comparator group of companies

Security	Description
AWC	Alumina Limited
AVO	Avoca Resources Limited
CBH	CBH Resources Limited
CMR	Compass Resources Limited
CRT	Consolidated Rutile Limited
CUO	Copperco Limited
ERA	Energy Resources of Australia Limited
GBG	Gindalbie Metals Limited
ILU	Iluka Resources Limited
IGO	Independence Group NL
KZL	Kagara Limited
LYC	Lynas Corporation Limited
MIS	Midwest Corporation Limited
MRE	Minara Resources Limited
MCR	Mincor Resources NL
MOL	Moly Mines Limited
MGX	Mount Gibson Iron Limited
MMX	Murchison Metals Limited
NCM	Newcrest Mining Limited
OXR	Oxiana Limited
PNA	Pan Aust Limited
PEM	Perilya Limited
SMY	Sally Malay Mining Limited
SRL	Straits Resources Limited
WSA	Western Areas NL
ZFX	Zinifex Limited

The performance target that applied and the percentage of the maximum number of performance rights that were at risk were the same as for 2007 (Table 6).

Subject to the Directors' approval, if the minimum performance criteria were satisfied for the 2008 LTI Scheme, performance rights would be granted to participants as soon as practicable after 1 January 2009. However, shares would only be issued on or around 1 January 2010 and only if the relevant participant remained employed by the group at that time.

As the minimum performance criteria were not satisfied during the period 1 January 2008 to 31 December 2008, no performance rights were granted pursuant to the 2008 LTI Scheme.

Allocations of options to executives under previous LTI Schemes is shown in Table 8.

LTI Scheme 2009

At the time of writing this report the LTI Scheme for 2009 was yet to be finalised and published to eligible participants.

Table 8: Allocations to disclosed executives under previous LTI Schemes

Plan Award	LTI 2006 Options Issued (January 2008)	Performance Periods		Total
		LTI 2007 Performance Rights Granted	LTI 2008 Performance Rights Granted	
D Pile	120,000	-	-	120,000
J Cooke	52,572	-	-	52,572
N Meadows	144,686	-	-	144,686
C Walsh	38,858	-	-	38,858

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

REMUNERATION REVIEW

External consultants The Hay Group are contracted to conduct the remuneration reviews for the company's directors and senior executives. This is done on an annual basis.

The Hay Group's Executive Reward Service report surveys half of all of Australia's top 100 companies who confidentially outline the salary and incentive details of their Chief Executive Officer and senior management team. This report details the average percentage increase of remuneration across the surveyed group for these executive groups namely Chief Executive Officer and directors.

The company's Human Resources department enlists the assistance of McDonald & Company through their remuneration reports to assess the salaries and benefits for selected senior executives. These reports are based on the Gold Industry and the Smelting and Petro-Chemical Industry in Western Australia. This survey data is confidential for all members, including Minara, who provide information for these reports.

Non-Executive Directors' Remuneration

Article 6.5 of the company's constitution provides that:

- non-executive directors may be paid a maximum total amount of director's fees, determined by the company in general meeting, or until so determined, as the directors resolve and the directors may determine the manner in which all or part of this amount is divided between the non-executive directors, or until so determined, the amount must be divided between the non-executive directors equally;
- the remuneration of non-executive directors must not be calculated as a commission on, or percentage of, profits or operating revenue; and
- the remuneration of non-executive directors accrues from day to day.

ASX Listing Rule 10.17 provides that the company must not increase the total amount of directors' fees payable by it or any of its controlled entities without the approval of holders of its ordinary securities.

At the company's Annual General Meeting held on 26 November 2003, members approved a resolution to the effect that the maximum amount of directors' fees payable to non executive directors was fixed at \$800,000 in total for each twelve month period commencing 1 July in any year until varied by ordinary resolution of members.

During 2006 the level of remuneration for non-executive directors and the non-executive Chairman was increased by approval of the Remuneration Committee. Effective 1 July 2006, remuneration for non-executive directors (other than the Chairman) was increased from \$70,000 to \$90,000 per annum, and remuneration for the non-executive Chairman was increased from \$190,000 to \$215,000 per annum. Superannuation contributions were also paid by the company on behalf of the non-executive directors at the rate of 10% of fees. Until 31 December 2007 non-executive directors also were entitled to receive fees of \$5,000 per year for participation on the Audit & Risk Management Committee.

With effect from 1 January 2008 the Board increased the remuneration for non-executive directors to \$120,000 per annum (inclusive of superannuation) and the remuneration for the non-executive Chairman increased to \$260,000 (inclusive of superannuation). There are no additional committee fees.

Non-executive directors do not participate in any cash bonus, options or share plans that may be developed for executives. Other fees or allowances may be payable in special circumstances as agreed by the Board. Executive directors are not paid directors' fees.

Retirement benefits for current non-executive directors are expressed as multiples of the final year average base directors' fees but have been capped at entitlements accrued as at 30 June 2004. The benefit payable on retirement for Mr Campbell was capped and paid at 1.6 times final year of service base fee. The benefit payable on retirement for Mr Morrison is 1.5 times and for Mr Macpherson it is 0.7 times. Retirement benefits are only paid following approval by the Board. Non-executive directors appointed subsequent to 1 July 2004 do not receive retirement benefits.

Details of the nature and amount of each major element of the emoluments of each non-executive director of the company for the reporting period to 31 December 2008 are set out in Table 9.

No other fees or benefits were paid or accrued to non-executive directors.

Managing Director & Chief Executive Officer's Remuneration

Article 6.5 of the company's constitution provides that the remuneration of executive directors must, subject to the provisions of any contract between each of them and the company, be fixed by the directors and must not be calculated as a commission on, or percentage of, operating revenue.

The Managing Director & Chief Executive Officer is Peter Johnston. He has been employed by the company since 1 November 2001. Remuneration and other terms of employment for Mr Johnston are formalised in a service agreement agreed between the Board and Mr Johnston.

For the period from 1 January 2007 to 31 December 2007 the remuneration terms of Mr Johnston's service agreement were:

- fixed remuneration of \$1,775,000 per annum inclusive of superannuation and non-cash benefits such as a fully maintained motor vehicle, car parking, salary continuance, death and disability insurance (Total Basic Remuneration);
- if performance targets set by the Board were met, an annual short term cash incentive of:
 - (a) \$500,000 for on-plan performance; or
 - (b) up to, but no more than, \$1,000,000 for superior performance, with the amount being at the sole discretion of the Board; and
- entitlement to participate in the LTI Scheme through the granting of performance rights on terms approved by the company's shareholders at the 2007 Annual General Meeting as outlined below.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

The remuneration terms of Mr Johnston's current service agreement, which terminates on 31 December 2009 are:

- commencing 1 January 2008, fixed remuneration of \$1,865,000 per annum inclusive of salary, superannuation, motor vehicle allowance and applicable taxes (Total Basic Remuneration)
- for the 2008 calendar year, if performance targets set by the Board were met, an annual short term cash incentive of:
 - (a) \$500,000 for on-plan performance; or
 - (b) up to but no more than \$1,000,000 for superior performance, with the amount being at the sole discretion of the Board;
- for subsequent years, if performance targets set by the Board are met, an annual short term cash incentive of:
 - (a) 50% of the Total Basic Remuneration for on-plan performance; or
 - (b) an amount not less than 50% of the Total Basic Remuneration for superior performance, with the amount being at the sole discretion of the Board; and
- entitlement to participate in the LTI Scheme through the granting of performance rights on terms approved by the company's shareholders at the 2007 and 2008 Annual General Meetings as outlined below.

For the purposes of the annual short term incentive, the Board of Directors, after consultation with Mr Johnston, determine appropriate financial, strategic and tactical goals forming the basis for setting the relevant performance targets. The financial goals include EBIT, free cash flow, the budget in production tonnage and the cash cost of production. Strategic and other operational goals include safety, superior financial returns, strategic accomplishments and/or project execution incorporated within the annual business plan. Discretionary assessment of superior performance has regard to out-performance with respect to financials and/or strategic project execution. The relative weighting of financial and strategic and operational goals is 70% financial, 30% strategic and operational goals.

In the event of resignation, Mr Johnston is required to give 12 months notice to the company or a shorter period of notice as agreed.

If the company terminates the agreement prior to 31 December 2009 by giving 12 months notice in writing or shorter notice as agreed:

- the company will pay Mr Johnston \$1,500,000;
- Mr Johnston will be entitled to be granted any performance rights approved by shareholders at the 2007 and 2008 Annual General Meetings, subject to the LTI Scheme; and
- Mr Johnston will be entitled to retain any performance rights granted to him and any options available to be exercised by him pursuant to his service agreement or the LTI Scheme as at 31 December 2008.

At the time of writing this report the review of Mr Johnston's remuneration had yet to be completed for 2009, and the remuneration details set out above remain current.

At the 2006 Annual General Meeting held on 26 May 2006, shareholders resolved to authorise the Board to grant to Mr Johnston:

- up to 504,000 options to acquire ordinary shares in the capital of the company (**First Tranche Options**); and
- options up to the value of \$930,000 to acquire ordinary shares in the capital of the company (**Second Tranche Options**),

on, substantially, the same terms as the performance rights previously granted to Mr Johnston with shareholder approval in November 2004.

The actual number of First Tranche Options, up to a maximum of 504,000 options, was dependant upon the performance of the company in comparison to its peer group of 25 comparator companies as measured by the company's TSR over the period 1 January 2006 to 31 December 2006. As the company ranked above the 75th percentile for the period, 504,000 First Tranche Options were issued to Mr Johnston vesting 1 January 2008.

The Second Tranche Options were not issued to Mr Johnston as the minimum performance criteria as measured by the company's TSR were not satisfied during the period 1 January 2007 to 31 December 2007.

At the 2007 Annual General Meeting held on 11 May 2007, shareholders resolved to authorise the Board to grant to Mr Johnston performance rights in respect of:

- up to 390,000 options over unissued shares in the capital of the company, as soon as practicable after 1 January 2009, as part of Mr Johnston's remuneration for 2007 (**A Options**); and
- up to 390,000 options over unissued shares in the capital of the company, as soon as practicable after 1 January 2010, as part of Mr Johnston's remuneration for 2008 (**B Options**).

The performance rights are similar to those previously granted to Mr Johnston with shareholder approval and are pursuant to the LTI Scheme (as it applies to Mr Johnston).

The Board resolved to grant Mr Johnston 390,000 performance rights relating to the A Options and 390,000 performance rights relating to the B Options. The grant of the A Options and B Options depends on the performance of the company in comparison to its peer group of 25 comparator resource companies as measured by the company's TSR over the period 1 January 2007 to 31 December 2008 in respect of the A Options and over the period 1 January 2008 to 31 December 2009 in respect of the B Options.

The A Options were not issued to Mr Johnston as the minimum performance criteria as measured by the company's TSR were not satisfied during the period 1 January 2007 to 31 December 2008. Subject to Board approval of the grant any B Options granted will be able to be exercised on or before the date which is 4 years after the date on which they are granted.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2008

At the 2008 Annual General Meeting held on 9 May 2008, shareholders resolved to authorise the Board to grant to Mr Johnston performance rights to acquire up to 390,000 shares, as soon as practicable after 1 January 2009, as part of Mr Johnston's remuneration package for 2009 (2009 Performance Rights). The 2009 Performance Rights are similar to those previously granted to Mr Johnston with shareholder approval and are pursuant to the LTI Scheme (as it applies to Mr Johnston). The vesting of the 2009 Performance Rights depends on the performance of the company in comparison to its peer group of 25 comparator resource companies as measured by the company's TSR over the period 1 January 2009 to 31 December 2010. Subject to Board approval of the grant, each granted performance right that vests may be automatically exercised into one share. It is anticipated that shares will be issued in respect of vested performance rights in the first quarter of 2011.

The 2009 Performance Rights will be granted at the time Mr Johnston's remuneration for 2009 is determined by the Board. At the time of determining the number of performance rights to be granted to Mr Johnston in respect of the 2009 Performance Rights (not to exceed 390,000), the Board will consider the reasonableness of the proposed grant in light of circumstances, including the share price and market remuneration position applying at the time of the proposed grant.

The applicable performance targets and the weighting given to their achievement in determining the number of options under the LTI Scheme are set out in Table 6.

REMUNERATION DETAILS

The following persons acted as directors of the company during or since the end of the financial year:

Peter Coates	(Non-executive Director since 1 April 2008 and Chairman since 9 May 2008)
James Campbell	(Non-executive Director and Chairman until 9 May 2008)
Peter Johnston	(Managing Director and Chief Executive Officer)

John Morrison	(Non-executive Director)
Ivan Glasenberg	(Non-executive Director)
Willy Strothotte	(Non-executive Director)
Malcolm Macpherson	(Non-executive Director)
Markus Ocskay	(Alternate Non-executive Director since 29 December 2008)
Steven Isaacs	(Alternate Non-executive Director until 29 December 2008)

For the reporting period to 31 December 2008 the 5 highest remunerated executives of both the company and the consolidated group comprised:

Peter Johnston	Managing Director & Chief Executive Officer
Wayne Ashworth	General Manager Operations
Neil Meadows	Projects Director
David Pile	Chief Financial Officer
Matthew Brown	Engineering Services Manager

For the reporting period to 31 December 2008, the key management personnel in addition to the directors above comprised:

Peter Johnston	Managing Director & Chief Executive Officer
Wayne Ashworth	General Manager Operations
Neil Meadows	Projects Director (until 31 August 2008)
David Pile	Chief Financial Officer
Cassandra Walsh	General Counsel & Company Secretary (until 10 January 2008)
Cynthia Sargent	General Counsel & Company Secretary (from 10 January 2008)
Jason Cooke	Business Development Manager
Matthew Brown	Engineering Services Manager (since 1 July 2008)

Table 9 sets out details of the nature and amount of each major element of the remuneration of key management personnel for 2008.

EXECUTIVE SERVICES AGREEMENTS

Remuneration and other terms of employment for the executives disclosed in this Remuneration Report are contained in service agreements. Invitations to participate in the STI Scheme and the LTI Scheme are issued to the executives each year, together with details of the rules of the schemes and the terms and conditions of the offer.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

Name	POSITION HELD	PERIOD OF RESPONSIBILITY	SHORT-TERM BENEFITS		POST-EMPLOYEE BENEFITS		SHARE-BASED PAYMENTS		TOTAL		
			Salary, fees, compensated absences	Bonuses (iv)	Non-Monetary benefits	Other (ix)	Superannuation	Other		Termination benefits	Cash settled Options
Non-Executive Directors											
J Campbell (i)	Chairman	2008	92,957	-	52,592	-	-	416,000	-	-	561,549
		2007	236,500	-	-	-	-	-	-	-	236,500
P Coates (ii)	Chairman	2008	180,323	-	-	-	-	-	-	-	180,323
J Morrison	Director	2008	120,000	-	-	-	-	-	-	-	120,000
		2007	99,000	-	-	-	-	-	-	-	99,000
I Glasenberg (iii)	Director	2008	-	-	-	-	-	-	-	-	-
		2007	-	-	-	-	-	-	-	-	-
W Strothotte (iii)	Director	2008	-	-	-	-	-	-	-	-	-
		2007	-	-	-	-	-	-	-	-	-
M Macpherson	Director	2008	120,000	-	-	-	-	-	-	-	120,000
		2007	99,000	-	-	-	-	-	-	-	99,000
Executive Director											
P Johnston (x)	Chief Executive Officer	2008	1,731,667	450,000	99,142	-	83,333	-	-	-	2,364,142
		2007	1,622,981	450,000	52,900	1,000	101,019	-	-	536,760	2,764,660
Other Key Management Personnel											
D Pile	Chief Financial Officer	2008	380,000	67,546	18,491	223,000	51,609	-	-	-	740,646
		2007	365,000	69,145	16,172	3,000	44,160	-	-	127,800	625,277
N Meadows (v)	Project Director	2008	304,493	51,384	-	302,000	46,856	-	1,532,947	-	2,237,680
	General Manager	2007	451,729	84,343	-	43,000	51,820	-	-	136,366	767,258
W Ashworth (xi)	General Manager	2008	391,919	63,991	-	136,333	50,528	-	-	-	642,771
	General Counsel & Company Secretary	2008	39,115	6,871	-	250	4,724	-	-	-	50,960
		2007	245,000	30,850	-	1,500	29,580	-	-	36,623	343,553
C Sargent (vii)	General Counsel & Company Secretary	2008	282,750	31,178	-	43,000	40,743	-	-	-	397,671
J Cooke	Business Development Manager	2008	275,000	32,508	-	23,000	37,328	-	-	-	367,836
		2007	245,000	30,840	-	3,000	29,760	-	-	49,549	358,149
M Brown (viii)	Engineering Services Manager	2008	252,500	29,285	-	201,500	32,002	-	-	-	515,286
		2008	4,170,724	732,763	170,225	929,083	347,123	-	1,948,947	-	8,298,864
		2007	3,364,210	665,178	69,072	51,500	256,339	-	-	887,098	5,293,398

- (i) Mr Campbell retired 9 May 2008. Retirement benefits for past services was capped and paid at 1.6 times final year of service base fee.
- (ii) Mr Coates was appointed non-executive director on 1 April 2008 and Chairman on 9 May 2008.
- (iii) Messrs Glasenberg and Strothotte elected not to receive directors' fees as they are nominee Directors of major shareholders.
- (iv) STI cash bonus paid in the reporting period to 31 December 2008 in respect of performance in 2008.
- (v) Mr Meadows ceased employment on 31 August 2008. Termination benefits consisted of severance \$1,420,256 in accordance with terms of the contract of employment regarding termination plus payment of statutory leave entitlements \$112,690.
- (vi) Ms Walsh resigned as General Counsel and Company Secretary effective 10 January 2008.
- (vii) Ms Sargent was appointed General Counsel and Company Secretary effective 10 January 2008.

- (viii) Mr Brown was appointed Engineering Services Manager effective 1 July 2008. He did not meet the definition of Key Management Personnel under AASB124 for the 2007 financial year but is considered Key Management Personnel for 2008. 2007 comparative figures are not shown.
- (ix) Other short-term benefits were for one-off discretionary payments, retention bonuses and medical contributions.
- (x) The bonus paid to Mr Johnston during 2008 is in respect of performance in 2007. The Board is yet to determine any bonus relating to 2008 for Mr Johnston as at 20 February 2009.
- (xi) Mr Ashworth was appointed General Manager effective 1 January 2008. He did not meet the definition of Key Management Personnel under AASB124 for the 2007 financial year but is considered Key Management Personnel for 2008. 2007 comparative figures are not shown.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

Table 10: Summary of Terms of Key Management Personnel Service Agreements

Executive	Position	Contract Duration	Fixed Remuneration (per annum)	Retention Bonus	Termination Payments (other than for gross misconduct) ^{(a)(b)}	Termination Notice
Neil Meadows^(c)	Projects Director	No fixed term	\$507,360	\$300,000 cash paid on 1 January 2008 \$100,000 cash expiring on 1 January 2009 \$200,000 cash expiring on 1 January 2010 \$300,000 cash expiring on 1 January 2011	12 weeks pay in lieu of notice & annual leave entitlement	12 weeks
Wayne Ashworth	General Manager Operations	No fixed term	\$414,400 (from 1 January 2008 to 30 November 2008) \$448,000 (from 1 December 2008)	\$100,000 cash expiring on 1 January 2009 \$150,000 cash expiring on 1 January 2010 \$200,000 cash expiring on 1 January 2011	12 weeks pay in lieu of notice & annual leave entitlement	12 weeks
David Pile	Chief Financial Officer	No fixed term	\$428,960	\$200,000 cash paid on 1 May 2008	12 weeks pay in lieu of notice & annual leave entitlement	12 weeks
Cassandra Walsh^(d)	General Counsel & Company Secretary	No fixed term	\$305,760	\$200,000 cash expiring 1 July 2010	6 months pay in lieu of notice period & annual leave entitlement	12 weeks
Cynthia Sargent^(e)	General Counsel & Company Secretary	No fixed term	\$328,160	\$200,000 cash expiring 1 January 2011	12 weeks pay in lieu of notice period & annual leave entitlement	12 weeks
Jason Cooke	Business Development Manager	No fixed term	\$311,360	\$200,000 cash expiring 1 July 2009	12 weeks pay in lieu of notice period & annual leave entitlement	12 weeks
Matthew Brown^(f)	Engineering Services Manager	No fixed term	\$305,760	\$300,000 cash expiring 1 January 2011	12 weeks pay in lieu of notice period & annual leave entitlement	12 weeks

- (a) On termination of employment, Executives will be entitled to the payment of any fixed remuneration calculated up to the termination date and any annual leave entitlement accrued at the termination date.
- (b) On redundancy or material change in employment terms or conditions and subject to limitations under the Corporations Act and the ASX Listing Rules, Executives will be entitled to a severance payment which is an aggregate payment that includes the payment of the salary package payable to that Executive for a period of 12 months, 6 months of STI Scheme payments on the basis of Gold achievement, LTI calculated at 100% achievement and any retention bonus.
- (c) Mr Meadows ceased employment on 31 August 2008 and a severance payment in accordance with (b) above was made on 1 September 2008.
- (d) Ms Walsh resigned as General Counsel & Company Secretary with effect from 10 January 2008.
- (e) Ms Sargent was appointed General Counsel & Company Secretary with effect from 10 January 2008.
- (f) Mr Brown was appointed Engineering Services Manager with effect from 1 July 2008.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

Table 11: Short Term Incentive (Cash) for 2008

Name	Incentive Payment \$	% of Entitlement	% of Entitlement Forfeited	% of Total Remuneration
P Johnston ⁽ⁱ⁾	450,000	45.00%	55.00%	19.03%
N Meadows	51,384	28.66%	71.34%	2.30%
W Ashworth	63,991	29.06%	70.94%	9.96%
D Pile	67,546	29.63%	70.37%	9.12%
C Walsh	6,871	75.11%	24.89%	13.48%
C Sargent	31,178	26.88%	73.12%	7.84%
J Cooke	32,508	29.55%	70.45%	8.84%
M Brown	29,285	27.12%	72.88%	5.68%

(i) The bonus paid to Mr Johnston during 2008 is in respect of performance in 2007.

Table 12: Short Term Incentive Opportunity (Cash) for 2009

Name	Bronze	Silver	Gold
P Johnston ⁽ⁱ⁾	-	-	-
W Ashworth	\$95,280	\$190,560	\$238,200
D Pile	\$91,200	\$182,400	\$228,000
C Sargent	\$46,400	\$92,800	\$116,000
J Cooke	\$44,000	\$88,000	\$110,000
M Brown	\$43,200	\$86,400	\$108,000

(i) The Board is yet to determine any bonus relating to 2008 (payable in 2009) to Mr Johnston as at 20 February 2009.

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DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

Table 13: Options, rights and equity holdings

2008

Options and Rights holdings

Name	HELD					Vested and Exercisable 31 Dec 2008	Vested and Unexercisable 31 Dec 2008	Value of options exercised at the exercise date \$
	No.at 1 Jan 2008	Granted as compensation	Exercised	Lapsed	No.at 31 Dec 2008			
Directors								
J Campbell	-	-	-	-	-	-	-	-
P Johnston	504,000	-	(504,000)	-	-	-	-	2,172,240
P Coates	-	-	-	-	-	-	-	-
J Morrison	-	-	-	-	-	-	-	-
I Glasenberg	-	-	-	-	-	-	-	-
W Strothotte	-	-	-	-	-	-	-	-
M Macpherson	-	-	-	-	-	-	-	-
Other Key Management Personnel								
D Pile	120,000	-	(120,000)	-	-	-	-	289,200
N Meadows	144,686	-	(144,686)	-	-	-	-	514,359
W Ashworth	49,600	-	(49,600)	-	-	-	-	172,360
C Walsh	38,858	-	(38,858)	-	-	-	-	8,743
C Sargent	-	-	-	-	-	-	-	-
J Cooke	52,572	-	(52,572)	-	-	-	-	139,579
M Brown	48,229	-	(48,229)	-	-	-	-	197,980
	957,945	-	(957,945)	-	-	-	-	3,494,461

Refer to Note 5 to the Financial Statements for more information regarding share options and rights.

2008

Equity Holdings

Name	HELD					No.at 31 Dec 2008
	No.at 1 Jan 2008	Granted as compensation	Received on exercise of Options	Equity acquired (non-option related) Divestment		
Directors						
J Campbell	-	-	-	-	-	-
P Coates	-	-	-	151,500	-	151,500
P Johnston	1,000,000	-	504,000	-	1,625,000	3,129,000
J Morrison	-	-	-	-	-	-
I Glasenberg ⁽ⁱ⁾	-	-	-	-	-	-
W Strothotte ⁽ⁱ⁾	-	-	-	-	-	-
M Macpherson	10,000	-	-	15,000	-	25,000
Other Key Management Personnel						
D Pile	-	-	120,000	(95,000)	40,000	65,000
N Meadows	-	-	144,686	(144,686)	-	-
W Ashworth	-	-	49,600	-	74,400	124,000
C Walsh	-	-	38,858	-	-	38,858
C Sargent	-	-	-	-	-	-
J Cooke	-	-	52,572	(42,572)	-	10,000
M Brown	-	-	48,229	(48,229)	-	-
	1,010,000	-	957,945	(330,487)	1,905,900	3,543,358

(i) Mr I Glasenberg and Mr W Strothotte hold an indirect interest in 824,829,760 ordinary shares.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

2007

Options and Rights holdings

Name	HELD					Vested and Unexercisable 31 Dec 2007	Vested and Unexercisable 31 Dec 2007	Value of options exercised at the exercise date \$
	No.at 1 Jan 2007	Granted as compensation	Exercised	Lapsed	No.at 31 Dec 2007			
Directors								
J Campbell	-	-	-	-	-	-	-	-
P Johnston	504,000	-	-	-	504,000	-	-	-
P Coates	-	-	-	-	-	-	-	-
J Morrison	-	-	-	-	-	-	-	-
I Glasenberg	-	-	-	-	-	-	-	-
W Strothotte	-	-	-	-	-	-	-	-
M Macpherson	-	-	-	-	-	-	-	-
Other Key Management Personnel								
D Pile	120,000	-	-	-	120,000	-	-	-
N Meadows	144,686	-	-	-	144,686	-	-	-
C Walsh	38,858	-	-	-	38,858	-	-	-
J Cooke	52,572	-	-	-	52,572	-	-	-
	860,116	-	-	-	860,116	-	-	-

2007

Equity Holdings

Name	HELD					No.at 31 Dec 2007
	No.at 1 Jan 2007	Granted as compensation	Received on exercise of Options	Equity acquired (non-option related) Divestment		
Directors						
J Campbell	-	-	-	-	-	-
P Coates	-	-	-	-	-	-
P Johnston	1,333,333	-	-	(333,333)	-	1,000,000
J Morrison	-	-	-	-	-	-
I Glasenberg ⁽ⁱ⁾	-	-	-	-	-	-
W Strothotte ⁽ⁱ⁾	-	-	-	-	-	-
M Macpherson	20,000	-	-	(10,000)	-	10,000
Other Key Management Personnel						
D Pile	-	-	-	-	-	-
N Meadows	-	-	-	-	-	-
C Walsh	-	-	-	-	-	-
J Cooke	-	-	-	-	-	-
	1,353,333	-	-	(343,333)	-	1,010,000

(i) Mr I Glasenberg and Mr W Strothotte hold an indirect interest in 246,968,500 ordinary shares

In relation to 2007 Mr Rodriguez and Mr Readett have been removed as they are no longer considered Key Management Personnel in 2008. Mr Rodriguez and Mr Readett each had 55,200 options/rights and nil shares throughout the year ended 31 December 2007.

SECURITIES DEALING POLICY

The company's policy in relation to all directors, executives, employees, contractors, consultants and advisors holding Minara securities is set out in the company's Securities Dealing Policy, which can be found on the company's website at www.minara.com.au. The Securities Dealing Policy sets out the circumstances in which these individuals

may trade in company securities, and thereby seeks to ensure they do not breach the laws concerning insider trading and limit exposure and risk in relation to these securities. The policy discourages short term investment in company securities and recommends dealing only at certain times. The Managing Director monitors and must give consent prior to any dealings in company securities by key management personnel.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2008

DIRECTORS' INTERESTS

The relevant interest of each director in the share capital and options over shares of the company, as notified by the directors to the Australian Stock Exchange Limited ("ASX") in accordance with s205G(1) of the *Corporations Act 2001*, as at the date of this report is set out in Table 14:

Table 14: Directors' Interests

Directors	Ordinary Shares	Options
P Coates	151,500	-
J Campbell	-	-
P Johnston	3,129,000	-
J Morrison	-	-
Glaserberg ⁽¹⁾	824,829,760	-
W Strothotte ⁽¹⁾	824,829,760	-
M Macpherson	25,000	-

(1) Mr Glaserberg's and Mr Strothotte's relevant interests are an indirect interest in 824,829,760 shares held by Glencore of which both are shareholders and directors. Glencore is party to nickel and cobalt off take agreements entered into with Murrin Murrin Holdings Pty Ltd (MMH). MMH is wholly owned by Minara. Refer Note 25 of the notes to the Financial Statements for further details of the off take agreements.

OPTIONS

Options Issued

On 1 January 2008, 2,055,903 options over unissued shares vested with eligible employees under the 2006 LTI Scheme. This included the 504,000 options issued to Mr Johnston.

Options Exercised

During 2008, 2,031,131 options were exercised and shares were issued under the 2006 LTI Scheme. This included the 504,000 options issued to Mr Johnston.

Options Expired

During 2008, of the 2,055,903 options issued, 24,772 options lapsed.

Options on Issue

At the date of this report there are no options over unissued ordinary shares in the company.

Further details in relation to share options and rights are contained in Note 5 to the Financial Statements.

INDEMNIFICATION OF OFFICERS AND AUDITORS

The company has entered into deeds of access and indemnity with Mr Coates, Mr Campbell, Mr Johnston, Mr Macpherson, Mr Morrison, Mr Strothotte, Mr Glaserberg, Mr Isaacs, Mr Ocskay, Ms Walsh, Mr Pile and Ms Sargent pursuant to which the company agreed to:

- indemnify the relevant officer against certain liabilities incurred by the officer while acting as an officer of the company;
- enter into an appropriate directors' and officers' liability insurance policy for the officer; and
- provide the officer with access to company documents.

The liabilities insured are costs and liabilities that may be incurred by or arising out of the relevant officers having the capacity of an officer of the company and/or the conduct of the business of the company, other than where such liabilities arise out of conduct of the relevant officer involving a wilful breach of duty in relation to the company or a contravention of sections 182 or 183 of the *Corporations Act*.

The company has entered into a Directors' and Officers' Liability insurance policy. The policy provides against certain liabilities (subject to exclusions) for persons who are or have been officers of the company or of a related body corporate. The insurance policy does not provide details of the premiums paid in respect of individual officers of the company.

The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the insurance policy as such disclosure is prohibited under the terms of the policy.

NON-AUDIT SERVICES

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Consolidated Entity are considered important.

The Board of Directors has considered the position and, in accordance with the advice received from the Audit Committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.

During the year, fees were paid or payable for services provided by the auditor of the company, as described in Note 6 of the financial statements.

The audit partner for the company for the year ended 31 December 2008 was Mr Ross Jerrard of Deloitte Touche Tohmatsu.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2008

**AUDITOR'S INDEPENDENCE
DECLARATION UNDER SECTION
307C OF THE CORPORATIONS
ACT 2001**

The lead auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is set out on page 38 and forms part of the Directors' Report for the year ended 31 December 2008.

ROUNDING OF AMOUNTS

The company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that class order, amounts in the financial report have been rounded off to the nearest one thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the directors.



P Coates
Chairman

Perth, 20th day of February 2009



PB Johnston
Chief Executive Officer & Managing Director

The information in this report that relates to Exploration Results is based on information compiled by Mr David Selfe. Mr Selfe is a Member of the Australasian Institute of Mining and Metallurgy. Mr Selfe is a full time employee of Minara Resources Ltd. Mr Selfe has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Persons as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Selfe consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The Board of Directors
Minara Resources Limited
Level 4
The Esplanade
Perth WA 6000

20 February 2009

Dear Board Members

Minara Resources Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Minara Resources Limited.

As lead audit partner for the audit of the financial statements of Minara Resources Limited for the financial year ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Ross Jerrard
Partner
Chartered Accountants

CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

1 INTRODUCTION

The Board of Directors of Minara Resources Limited (the company) is committed to the principle of best practice in corporate governance. The Board believes that genuine commitment to good corporate governance is essential to the performance and sustainability of the company's business and, as such, depends upon the corporate culture – values and behaviours – that underlies the company's day-to-day activities.

The Board continually reviews its corporate governance practices and regularly monitors developments in best practice governance in Australia and overseas. Where international and Australian guidelines are not consistent, the best practice guidelines of the Australian Stock Exchange Limited (**ASX**) convened ASX Corporate Governance Council (**ASX Best Practice Recommendations**) have been adopted as the minimum base for corporate governance practices.

Details of the company's compliance with the ASX Best Practice Recommendations are set out below and an ASX Best Practice Recommendations Checklist is provided at Section 8 of this statement.

The company's key corporate governance policies are available in the corporate governance section of the company's website: www.minara.com.au.

2 BOARD OF DIRECTORS

2.1 Board Role and Responsibilities

ASX Best Practice Recommendations 1.1, 1.2 and 1.3

The Board has adopted a formal Board Charter which details the composition, responsibilities and code of conduct under which the Board operates. The Board has resolved unanimously that the company will at all times aspire to best practice in corporate governance.

The Board acknowledges its accountability to shareholders for creating shareholder value within a framework that protects the rights and interests of shareholders and ensures that the company and its subsidiaries (the **Group**) are being properly managed. The Board aims to achieve these objectives through the adoption and monitoring of strategies, plans, policies and performance by:

- overseeing the Group, including its control and accountability systems;
- providing input into and final approval of the Group's strategic direction and performance objectives;
- directing, monitoring and assessing the Group's performance against strategic and business plans;
- approving the Group's annual budgets;
- reporting to shareholders and other stakeholders on the performance and state of the company;
- approving and monitoring the progress of capital management, major capital expenditure, acquisitions and divestments;
- reviewing and ratifying the Group's systems of internal compliance and control, risk management and legal compliance and ensuring the integrity and effectiveness of those systems;
- approving and monitoring financial and other reporting, including reporting to shareholders, the Australian Securities Exchange and other stakeholders;
- appointing and removing the Chief Executive Officer, Company Secretary and Chief Financial Officer;
- ratifying the appointment of senior management;
- monitoring senior management's performance and implementation of strategy;
- ensuring appropriate resources are available to senior management;
- ensuring that the remuneration and conditions of service are appropriate to attract and retain senior management; and
- establishing and monitoring succession planning for the Board and senior management.

Day-to-day conduct of the company's business is delegated to the company's Chief Executive Officer.

The Board determines the strategic direction of the company and sets policies accordingly. Oversight of the company's executive management and operations is maintained through committees and, in addition, the Board monitors substantive issues such as ethical standards and social and environmental responsibilities.

Unless otherwise indicated in this statement, the practices specified in the Board Charter have been followed throughout the 2008 reporting period and will remain in force until amended by resolution of the Board.

A copy of the Board Charter is available in the corporate governance section of the company's website: www.minara.com.au.

2.2 Board Composition

ASX Best Practice Recommendations 2.1, 2.2, 2.3 and 2.6

The Board is currently comprised of six (6) directors: five (5) non-executive directors and one (1) executive director.

The names of the directors of the company at the date of this statement are set out in the table following:

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

Director	Role	Appointed	Retiring at 2009 AGM	Seeking re-election at 2009 AGM
Peter Coates	Chairman, Independent Non-Executive Director	1 April 2008 (Chairman: 9 May 2008)	No	-
Peter Johnston	Managing Director & Chief Executive Officer	28 November 2001	No	-
Ivan Glasenberg	Non-Executive Director	8 December 2000	No	-
Willy Strothotte ¹	Non-Executive Director	31 May 2001	Yes	Yes
John Morrison	Independent Non-Executive Director	16 December 1999	Yes	Yes
Malcolm Macpherson	Independent Non-Executive Director	11 April 2002	No	-

1. Mr Markus Ocskay is the alternate Non-Executive Director for Mr Strothotte with effect from 29 December 2008. Mr Steven Isaacs was the alternate Non-Executive Director for Mr Strothotte until 29 December 2008.

All directors (except the Managing Director) are elected by shareholders and, thereafter, are subject to re-election at least once every three (3) years.

The Board is structured so that independent non-executive directors are not in the minority on the Board. The Chairman plays an important role in ensuring that the Board works effectively.

Appointments to the Board are based on merit against objective criteria that serve to maintain an appropriate balance of skills and experience on the Board. The most used nomination criteria are:

- appropriate experience;
- the ability to exercise sound business judgement;
- a position of leadership or prominence in a specified field;
- absence of conflicts of interest or other legal impediments to serving on the Board;
- willingness to devote the required time and freedom from scheduling, or other conflicts, which would prevent attendance at Board or committee meetings; and
- geographical spread.

Pursuant to the company's constitution, the company must not have less than three (3) nor more than ten (10) directors, unless varied by resolution.

The Board periodically reviews its size as appropriate.

2.3 Director Independence

ASX Best Practice Recommendation 2.1

The ASX Best Practice Recommendations maintain that directors are considered to be independent if they are not major shareholders, are independent of management, and are free from any business or other relationship that could materially interfere with their exercise of free and independent judgement. ASX Best Practice Recommendation 2.1 recommends that the Board should comprise a majority of independent directors.

Independent directors on the Board are Mr Morrison, Mr Macpherson and the Chairman of the company, Mr Coates.

The non-independent directors are Mr Johnston, Mr Glasenberg and Mr Strothotte. Mr Johnston is the Managing Director and Chief Executive Officer and is appointed by the Board. Messrs Strothotte and Glasenberg, although not being

major shareholders themselves, have been regarded as being non independent by virtue of their directorship of, and shareholding in, Glencore International AG, which as at the date of this Corporate Governance Statement holds approximately 70.6% of the issued capital in the company. Additionally, Mr Ocskay, the alternate non-executive director for Mr Strothotte since 29 December 2008, and Mr Steven Isaacs the alternate non-executive director for Mr Strothotte until 29 December 2008, are not regarded as being independent by virtue of their employment with Glencore International AG.

While the composition of the Board, using the cautious definition of independence adopted by the Board as above, did not comply with ASX Corporate Governance Council Recommendation 2.1, the Board regarded the composition of directors as a good balance with the appropriate mix of expertise and experience and ability to represent the interests of all shareholders. From 1 April 2008 (being the date Mr Coates was appointed by a director) until Mr James Campbell retired on 9 May 2008, the company complied with the recommendation.

2.4 Conflicts of Interest

All directors of the company must keep the Board advised, on an ongoing basis, of any private interest that could potentially conflict with the interests of the Group. Where the Board believes that a significant conflict exists, the director concerned will not receive relevant Board papers and will not be present at the meeting whilst the item is considered.

All directors and executive officers of the Group are required to disclose to the company any material transaction or commercial relationship or corporate opportunity that reasonably could be expected to give rise to such a conflict. The Board has developed procedures to assist directors to disclose potential conflicts of interest.

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

2.5 Directors' Retirement and Re-election

Directors serve a maximum three (3) year term before being required to be re-elected by members. The company's constitution also provides that at least one third (or the nearest whole number) of directors must retire at each annual general meeting, as well as any directors appointed to fill a casual vacancy who have not been re-appointed at a general meeting since the last annual general meeting. Retiring directors are eligible for re-election at the meeting at which they retire.

There is no compulsory retiring age of directors.

Mr Coates was appointed director from 1 April 2008. On the retirement of Mr Campbell on 9 May 2008, Mr Coates was appointed Chairman.

2.6 Terms of Appointment

New directors receive, and are required to sign, a formal letter of appointment setting out the responsibilities, rights and key terms and conditions of their appointment.

2.7 Induction Training and Continuing Education

New directors are required to participate in a comprehensive induction which covers the operations, financial position, strategic and risk management issues, as well as the operation of the Board and its sub-committees. This includes site visits, presentations and meetings with key executives.

All directors are expected to maintain the skills required to discharge their obligations to the company. In addition, directors undertake site visits and the company provides the Board with regular updates, briefings, educational information papers and presentations on industry-related matters and new developments that may be of interest to the company.

2.8 Board Performance Evaluation

ASX Best Practice Recommendation 2.5

The Board aims to have members with high levels of intellectual ability, experience, soundness of judgment and integrity to maximise its effectiveness and contribution.

The Board reviews its performance and the performance of its committees on an on-going basis. The review process serves to identify any areas of weakness and areas for improving the performance of the Board, its committees and the Board's relationship with management.

In December 2008 the Board carried out an annual self assessment process of the Board and its committees. All directors and senior executives were required to complete an anonymous evaluation questionnaire to objectively rank performance, according to a defined scale, for each responsibility/activity. In addition, directors and senior executives were encouraged to provide supporting or explanatory comments regarding their assessment. The results of the questionnaires were collated and statistically analysed to rank collective performance against each topic. An evaluation report was prepared and circulated to all directors and considered by the Board.

The Chairman's on-going evaluation of each director's performance includes informally reviewing and monitoring and assessing their contribution and participation in Board activities. Directors whose performance is judged to have been unsatisfactory may be asked to retire.

2.9 Board Access to Information and Independent Advice

Subject to the directors' conflict of interest guidelines at section 2.4, directors have direct access to the company's management personnel and to access company information that is in the possession of the management.

In performing their duties, directors have the right to seek independent, professional advice at the company's expense, in furtherance of their duties as directors, with the approval of the Chairman, which approval shall not be unreasonably withheld.

2.10 Directors' Remuneration

ASX Best Practice Recommendations 8.1, 8.2 and 8.3

Refer to section 3.4 of this statement.

2.11 Chairman and Chief Executive Officer (Managing Director & CEO)

ASX Best Practice Recommendations 2.2 and 2.3

The Chairman, Mr Coates, is an independent non-executive director elected by the full Board, who has no previous association with the company, is not a substantial shareholder of the company and is not associated with a substantial shareholder of the company, has not previously been an employee, has not had a material contractual relationship with the company within the last three (3) years and is free from any interest which could materially interfere with his ability to act in the best interest of the company.

The Chairman is responsible for leadership of the Board, setting agendas, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the company's senior executives.

The Managing Director & CEO, Mr Johnston, is selected by the Board and is subject to annual performance reviews by the non-executive directors. The Managing Director & CEO is responsible for managing the company, reporting to the Board and implementing Group strategies and policies.

The Board Charter specifies that the role of Chairman is to be undertaken by an independent non-executive director and that the Chairman and the Managing Director & CEO will not be the same person.

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

2.12 Company Secretary

The appointment and removal of a company secretary is a matter for decision by the Board.

The company secretary is responsible for ensuring that Board procedures are complied with and that corporate governance matters are addressed. The company secretary is accountable to the Board, through the Chairman, on all governance matters.

2.13 Board Meetings

ASX Best Practice Recommendation 2.5

The Board meets on a regular basis to retain full and effective control and monitor executive management. During the 2008 reporting period, the Board met seven (7) times. The directors' attendance at meetings is detailed in the Directors' Report.

Papers for Board meetings are usually circulated at least seven (7) days prior to the date of meeting.

Members of the company's management team may attend meetings at the invitation of the Board.

2.14 Evaluation of Senior Executives

ASX Best Practice Recommendations 1.2 and 1.3

The Managing Director & CEO reviews the performance of all senior executives on an annual basis, usually in November/December, and a performance evaluation of senior executives was undertaken in 2008.

Each senior executive's performance is assessed against key performance indicators relevant to the senior executive's areas of responsibility.

The performance review includes face to face meetings and a written evaluation. The outcomes of performance reviews are reported to the Nomination & Remuneration Committee.

The performance evaluation of the Managing Director & CEO is facilitated by the Chairman, with ultimate oversight by the Board. The evaluation of the Managing Director & CEO involves an assessment of a range of factors including the overall performance of the company.

3 COMMITTEES OF THE BOARD

3.1 Board Committees, Membership and Charters

ASX Best Practice Recommendations 2.4, 2.6, 4.1, 4.2, 4.3, 4.4 and 8.1

To assist in the execution of its duties and to allow detailed consideration of complex issues, the Board has established the following standing committees:

- the Audit Committee;
- the Risk Management & Compliance Committee; and
- the Nomination & Remuneration Committee.

The Audit Committee and the Risk Management & Compliance Committee were formerly combined and operated as a single committee until 21 November 2007 when they were split into two (2) separate committees. The Nomination & Remuneration Committee formerly operated as two (2) separate committees, until they were amalgamated on 21 November 2007, and now operates as a single committee.

The Board may also delegate specific responsibilities to ad hoc committees from time to time.

Each committee is comprised entirely of non-executive directors with the necessary skills and experience, and the committee structure and membership is reviewed periodically. All directors who are not members have a standing invitation to attend committee meetings.

Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis and are available in the corporate governance section of the company's website: www.minara.com.au.

Minutes of committee meetings are tabled at the immediately subsequent Board meeting. All matters determined by committees are submitted to the full Board as recommendations for Board decisions. Additional requirements for specific reporting by the committees to the Board are addressed in the charter of the individual committees.

3.2 Audit Committee

ASX Best Practice Recommendations 4.2, 4.3 and 4.4

The Audit Committee is comprised of the following non-executive directors:

- Mr Morrison (Chairman);
- Mr Macpherson; and
- Mr Ocskay (alternate director for Mr Strothotte) from 29 December 2008.

Mr Isaacs, alternate director for Mr Strothotte until 29 December 2008, served on the committee until 29 December 2008.

Each of these directors is regarded as independent, except for Messrs Ocskay and Isaacs, who are not regarded as being independent by virtue of their employment with Glencore International AG, the company's largest shareholder.

Mr Morrison brings a high level of financial expertise and experience to the Audit Committee. He is an executive director of a leading independent investment bank and has broad experience in the finance and natural resources industries. Mr Macpherson has held various directorships in major resources companies and has also served as Senior Vice President of the Minerals Council of Australia and President of the Chamber of Minerals & Energy (WA). Mr Ocskay joined Glencore International AG in 1998, where he has focussed on corporate finance projects, debt capital market transactions and investor relations. Prior to joining Glencore, Mr Ocskay worked for UBS in the Structured Finance division in Zurich, London and Sydney.

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

The Audit Committee operates under a charter adopted by the Board. The role of the committee is to assist the Board in:

- ensuring the integrity of the Group's financial statements and the financial reporting and internal control systems;
- the appointment, remuneration, qualifications, independence and performance of the external auditor and the integrity of the audit process;
- fulfilling its obligations in relation to its financial compliance framework and systems; and
- ensuring that the company complies with its continuous disclosure obligations.

The particular responsibilities of the Audit Committee are set out in the charter. In accordance with the charter, a majority of the committee will consist of independent directors. The committee as established complies with this requirement.

The Audit Committee meets with the external auditors and senior management to review the half yearly and annual financial statements and report, as well as specific issues or matters which may arise from the external audit process. The external auditor submits a formal report to the Audit Committee in relation to the half yearly review and the annual audit.

The Chairman of the Audit Committee is not the Chairman of the company.

The Audit Committee reports to the Board after each committee meeting. The Chairman of the Audit Committee is also required to submit an annual report to the Board summarising the Committee's activities and the related significant results and findings.

The Audit Committee has the necessary authority and resources to discharge its duties and responsibilities including the authority to select, retain and terminate specialist advisors, counsel or experts as deemed necessary or appropriate without seeking the approval of the Board or management.

The Audit Committee regularly reviews its composition in light of the skills and experience of its members and having regard to any changes in the regulatory environment in which the company operates.

The company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. Following the Annual General Meeting on 18 May 2005, Deloitte Touche Tohmatsu were appointed as the external auditors.

An analysis of fees paid to the external auditors, including a breakdown of fees for non-audit services, is provided in the Directors' Report. It is the policy of the external auditors to provide an annual declaration of their independence to the Audit Committee.

Details of the number of meetings of the Audit Committee and attendance at those meetings are set out in the Directors' Report.

3.3 Risk Management & Compliance Committee

ASX Best Practice Recommendations 4.2, 4.3, 4.4 and 4.5

The Risk Management & Compliance Committee is comprised of the following non-executive directors:

- Mr Macpherson (Chairman);
- Mr Morrison; and
- Mr Ocskay (alternate director for Mr Strothotte) from 29 December 2008.

Mr Steven Isaacs, alternate director for Mr Strothotte until 29 December 2008, served on the committee until 29 December 2008.

Each of these directors is regarded as independent, except for Messrs Ocskay and Isaacs, who are not regarded as being independent by virtue of their employment with Glencore International AG, the company's largest shareholder.

The Risk Management & Compliance Committee operates under a charter adopted by the Board. The role of the committee is to assist the Board in:

- its oversight of the establishment and implementation of the Group's risk management and internal control system;
- its holistic focus on material business risks;
- the Group's compliance with applicable legal and regulatory requirements;
- clarifying the role of management in relation to risk management;
- its review of management's reporting on the effectiveness of managing material risks; and
- monitoring the independence of directors.

The committee shall also ensure that there is public disclosure of the Group's risk management policies and procedures and corporate governance systems and controls.

Details of the number of meetings of the Risk Management & Compliance Committee and attendance at those meetings are set out in the Directors' Report.

3.4 Nomination & Remuneration Committee

ASX Best Practice Recommendations 2.4 and 2.6 (nomination recommendations)

ASX Best Practice Recommendation 8.1, 8.2 and 8.3 (remuneration recommendations)

The Nomination & Remuneration Committee is comprised of the following non-executive directors:

- Mr Coates (Chairman) since 9 May 2008;
- Mr Glasenberg;
- Mr Macpherson; and
- Mr Morrison.

Mr Campbell was a member of the committee until his retirement on 9 May 2008.

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CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

The Nomination & Remuneration Committee operates under a charter adopted by the Board. In accordance with the charter, a majority of the committee will consist of independent directors. The committee as established complies with this requirement.

The role of the committee is to make recommendations to the Board in relation to:

- the Group's overall remuneration strategy;
- the remuneration, superannuation, recruitment, retention and termination arrangements, policies and procedures for the Chief Executive Officer, non-executive directors and senior management;
- the necessary and desirable competencies of directors;
- review of Board succession plans;
- the development of a process for evaluation of the performance of the Board, its committees and directors;
- the appointment and re-election of directors; and
- the appointment of the Company Secretary and the Chief Financial Officer.

The particular responsibilities of the committee are set out in its charter.

The Nomination & Remuneration Committee responsibilities include:

- assessing the expertise required by directors to adequately discharge the Board's duties having regard to the Group's business and financial objectives; and
- developing and implementing a process for the identification of suitable candidates for Board positions,

with a view to recommending candidates to fill Board positions and sub-vacancies.

The Nomination & Remuneration Committee is also responsible for overseeing the Group's remuneration policies and practices and to ensure:

- that the Group's remuneration policies are consistent with the Group's strategic objectives; and
- that the required disclosures are made to stakeholders in relation to director and senior management remuneration in accordance with regulatory requirements and good governance principles and practice.

The Nomination & Remuneration Committee reports to the Board after each Committee meeting.

Details of director and senior executive remuneration are set out in the Remuneration Report.

Details of the number of meetings of the Nomination & Remuneration Committee and attendance at those meetings are set out in the Directors' Report.

4 PROMOTING RESPONSIBLE AND ETHICAL BEHAVIOUR

4.1 Code of Conduct

ASX Best Practice Recommendations 3.1 and 3.3

The Board has adopted a Board of Directors Code of Conduct. This Code of Conduct comprises a code setting out parameters for ethical behaviour and business practices that apply to all of the Group's directors. The Board of Directors Code of Conduct is included as an appendix to the Board Charter which is available for review in the corporate governance section of the company's website: www.minara.com.au.

The Board also has adopted a Corporate Code of Conduct which requires employees who are aware of unethical practices within the Group or breaches of the company's Securities Dealing Policy to report these using the company's Whistleblower Policy. The Corporate Code of Conduct is available for review in the corporate governance section of the company's website.

The Codes of Conduct are regularly reviewed and updated, as necessary, to ensure that they reflect the highest standards of behaviour and professionalism, and the practices necessary to maintain confidence in the Group's integrity.

In summary, the Codes of Conduct require that at all times the Group's directors and personnel act with the utmost integrity, objectivity and in compliance with both the letter and the spirit of the law and company policy. The directors are satisfied that the Group has complied with the Codes of Conduct during the 2008 reporting period.

4.2 Whistleblower Policy

ASX Best Practice Recommendations 3.1 and 3.3

The company has a Whistleblower Policy to support the promotion of ethical behaviour throughout the company by providing a framework for reporting, investigating and responding to issues where corrupt, illegal or undesirable conduct is observed or reported. This can be done anonymously.

The company is committed to upholding and complying with all relevant legislation and internal processes, practices and standards that promote ethical behaviour and best practice, and to maintaining an open working environment in which directors, officers, executives, employees, contractors, agents and suppliers are able to report instances of unethical, unlawful or undesirable conduct without fear of intimidation or reprisal.

The Whistleblower Policy applies to:

- directors and officers of the company; and
- executives, employees, contractors, agents and suppliers of the company.

The Company Secretary also has responsibility for the initial investigation of significant issues raised under the Whistleblower Policy. These matters are reported to the Risk Management & Compliance Committee.

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

The Whistleblower Policy is available for review in the corporate governance section of the company's website: www.minara.com.au.

4.3 Securities Ownership and Dealing

ASX Best Practice Recommendations 3.2 and 3.3

The company's Securities Dealing Policy applies to all directors, executives, employees, contractors, consultants and advisors (together Designated Persons) of the company and the Group.

The Securities Dealing Policy was implemented to:

- ensure that Designated Persons adhere to high ethical and legal standards in relation to their personal investment in company securities;
- ensure that the personal investments of Designated Persons do not conflict with the interests of the company and those of other holders of company securities;
- preserve market confidence in the integrity of dealings in company securities; and
- ensure the reputation of the company is maintained.

The company's Securities Dealing Policy complies with the ASX Best Practice Recommendations.

The Securities Dealing Policy is available for review in the corporate governance section of the company's website: www.minara.com.au.

The directors confirm that the Group has complied with the Securities Dealing Policy during the 2008 reporting period.

5 SHAREHOLDERS

5.1 Shareholder Communication

ASX Best Practice Recommendations 6.1 and 6.2

The company is committed to the promotion of investor confidence by ensuring that trade in its securities takes place in an efficient, competitive

and informed market. The directors recognise that shareholders are entitled to receive timely and relevant high quality information about their investment and that new investors are entitled to be able to make informed investment decisions when considering the purchase of shares in the company.

The company's Shareholder Communications Policy is available for review in the corporate governance section of the company's website: www.minara.com.au.

In addition to statutory disclosure documents such as Annual Reports and quarterly production reports, the Board is committed to keeping all stakeholders informed of all material developments that affect the company in a timely manner. All company ASX announcements are uploaded onto the company's website: www.minara.com.au.

The external auditor is required to attend Annual General Meetings and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

5.2 Continuous Disclosure

ASX Best Practice Recommendations 5.1 and 5.2

The company is a disclosing entity under the Corporations Act and is subject to the continuous disclosure requirements under the ASX Listing Rules.

The Continuous Disclosure Policy was implemented to:

- ensure that the company, as a minimum, complies with its continuous disclosure obligations under the Corporations Act and the ASX Listing Rules and, as much as possible, seeks to achieve and exceed best practice;
- provide shareholders and the market with timely, direct and equal access to information issued by the company; and

- promote investor confidence in the integrity of the company and its securities.

The Board endorses full and regular communication with and between directors, the Managing Director & Chief Executive Officer, the Company Secretary, senior management, the external auditors and other professional advisors, shareholders and other significant stakeholders.

All shareholders who request a printed version receive a copy of the company's annual report at the same time as they receive a copy of notice of the annual general meeting. The company's annual report can also be found in the reports section of the company's website: www.minara.com.au.

Full use is made of the Annual General Meeting to inform shareholders of current developments through appropriate presentations and to provide opportunities for questions.

The Continuous Disclosure Policy complies with the ASX Best Practice Recommendations and the directors confirm that the company has complied with the Continuous Disclosure Policy during the 2008 reporting period.

The company's Continuous Disclosure Policy can be found in the corporate governance section of the company's website: www.minara.com.au.

6 FINANCIAL REPORTING

The company is committed to providing shareholders with clear, transparent, and high-quality financial information in a timely manner. The company's Continuous Disclosure Policy underpins this approach.

The company requires that management complete a comprehensive questionnaire and certification process in relation to the preparation and integrity of all financial reports and the effectiveness of all internal control systems.

As part of this process, the Managing Director & CEO and Chief Financial Officer are required to certify to the Board that:

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

- the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control and which implements the policies adopted by the Board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects.

The financial reports of the company are produced in accordance with Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act and in many cases exceed the disclosure requirements of the Corporations Act and the Australian Accounting Standards Board Policy 1434. The financial statements and reports are subject to review every half year and the auditor issues an audit opinion accompanying the full year results for each financial year.

7 RISK MANAGEMENT AND INTERNAL CONTROL

ASX Best Practice Recommendations 7.1, 7.2, 7.3 and 7.4

The Board, through the Risk Management & Compliance Committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. The company's policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines

of accountability and delegation of authority. Adherence to the Code of Conduct for directors is required at all times and the Board actively promotes a culture of quality and integrity.

An enterprise-wide risk management system, based on the Australian/New Zealand Risk Management Standard, is in place to enable the identification, management and reporting of risk throughout the business.

Detailed control procedures cover management accounting, purchases and payments, financial reporting, capital expenditure requests, project appraisal, environment, health and safety, IT security, compliance, and other risk management issues. There is a systematic review and monitoring of key business operational risks by a management group which meets at least quarterly. The management group reports on current and future risks and mitigation activities to the Risk Management & Compliance Committee. This occurs every six months or more frequently as required by the Risk Management & Compliance Committee or the Board.

The company has identified the following risk factors which the company believes represent some of the general and specific risks faced by the company. These factors are not an exhaustive list; they are provided to assist investors in understanding the inherent risks of the company:

- fluctuations in nickel and cobalt prices;
- fluctuations in foreign exchange rates;
- fluctuations in the price of sulphur;
- resource, reserve and production risk;
- increased production costs, including labour costs;
- availability of key supplies;
- Native Title;
- mineral exploration and mining activities;
- future capital requirements.

The company recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance. To help meet this objective, the Environmental Management System (EMS) and the Safety Management System (SMS) were established to facilitate the systematic identification of environmental and OH&S issues and to ensure they are managed in a structured manner. These systems allow the company to:

- monitor its compliance with all relevant legislation;
- continually assess and improve the impact of its operations on the environment;
- encourage employees to actively participate in the management of environmental and OH&S issues;
- work with trade associations representing the entity's businesses to raise standards;
- use energy and other resources efficiently; and
- encourage the adoption of similar standards by the entity's principal suppliers, contractors and distributors.

Detailed internal control questionnaires are completed by the Managing Director & CEO, the Chief Financial Officer, and the Company Secretary in relation to financial and other reporting every six months. These are reviewed by the Audit Committee and the company's external auditors as part of the company's reporting. The objectives of the questionnaires are to provide the necessary assurances to the Board that controls are in place to safeguard and protect the assets of the Group, that accounting records of the Group are accurately and reliably maintained and that an effective system of financial reporting, internal control and risk management are in place to present a true and fair view of the Group's financial and risk position.

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

The Managing Director & CEO has reported to the Board in respect of the effectiveness of the company's management of its material business risks.

The Board has received written assurance from the Managing Director & CEO and the Chief Financial Officer that the declaration in respect of the company's 2008 financial reports referred to in section 6 is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

8 ASX BEST PRACTICE RECOMMENDATIONS CHECKLIST

The company complies with the ASX Best Practice Recommendations with the exception of the recommendation that a majority of the Board should be independent directors. Using the definition of independence adopted by the ASX Corporate Governance Council, independent directors do not comprise a majority of the Board.

The following table indicates the company's compliance with the ASX Best Practice Recommendations.

	Comply
Principle 1: Lay solid foundations for management and oversight	
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	✓
1.2 Companies should disclose the process for evaluating the performance of senior executives.	✓
1.3 Companies should provide the information indicated in the Guide to reporting on Principle 1.	✓
Principle 2: Structure the board to add value	
2.1 A majority of the board should be independent directors.	× ⁽¹⁾
2.2 The chair should be an independent director.	✓
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	✓
2.4 The board should establish a nomination committee.	✓
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	✓
2.6 Companies should provide the information indicated in the Guide to reporting on Principle 2.	✓
Principle 3: Promote ethical and responsible decision-making	
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to: <ul style="list-style-type: none"> ▪ the practices necessary to maintain confidence in the company's integrity; ▪ the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and ▪ the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. 	✓ ✓ ✓
3.2 Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	✓
3.3 Companies should provide the information indicated in the Guide to reporting on Principle 3.	✓
Principle 4: Safeguard integrity in financial reporting	
4.1 The board should establish an audit committee.	✓
4.2 The audit committee should be structured so that it: <ul style="list-style-type: none"> ▪ consists only of non-executive directors; ▪ consists of a majority of independent directors; ▪ is chaired by an independent chair, who is not chair of the board; and ▪ has at least three members. 	✓ ✓ ✓ ✓
4.3 The audit committee should have a formal charter.	✓
4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.	✓
Principle 5: Make timely and balanced disclosure	
5.1 Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	✓
5.2 Companies should provide the information indicated in the Guide to reporting on Principle 5.	✓

(1) Refer to section 2.3 of this statement. From 1 April 2008 until the retirement of Mr Campbell on 9 May 2008 the company complied.

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CORPORATE GOVERNANCE STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

Comply

Principle 6: Respect the rights of shareholders

- | | | |
|-----|--|---|
| 6.1 | Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. | ✓ |
| 6.2 | Companies should provide the information indicated in the Guide to reporting on Principle 6. | ✓ |

Principle 7: Recognise and manage risk

- | | | |
|-----|---|---|
| 7.1 | Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies. | ✓ |
| 7.2 | The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks. | ✓ |
| 7.3 | The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) 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 that the system is operating effectively in all material respects in relation to financial reporting risks. | ✓ |
| 7.4 | Companies should provide the information indicated in the Guide to reporting on Principle 7. | ✓ |

Principle 8: Remunerate fairly and responsibly

- | | | |
|-----|---|---|
| 8.1 | The board should establish a remuneration committee. | ✓ |
| 8.2 | Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives. | ✓ |
| 8.3 | Companies should provide the information indicated in the Guide to reporting on Principle 8. | ✓ |

FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2008

	PAGE
Income Statement	50
Balance Sheet	51
Statement of Changes in Shareholders' Equity	52
Cash Flow Statement	53
Notes to the Financial Statements	54
Directors' Declaration	88
Audit Report	89
ASX Additional Information	91

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INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Consolidated		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Revenue from operations	3(a)	425,397	783,350	14,061	-
Cost of production	3(c)	(417,020)	(380,019)	-	-
Gross profit from the sale of product		8,377	403,331	14,061	-
Other revenue	3(a)	6,808	23,711	82,000	316,834
Finance expenses	3(b)	(4,972)	(3,184)	-	(5)
Other expenses	3(c)	(28,365)	(46,551)	(6,718)	(6,330)
Allowances and writedowns	3(c)	(8,721)	(8,152)	(2,036)	(2,206)
(Loss) / Profit before tax		(26,873)	369,155	87,307	308,293
Income tax income / (expense)	4(a)	7,086	(98,644)	(1,592)	2,963
(Loss) / Profit for the year		(19,787)	270,511	85,715	311,256
Attributable to:					
(Loss) / profit attributable to members of the parent entity		(20,984)	272,364	85,715	311,256
Profit / (Loss) attributable to minority interest	30	1,197	(1,853)	-	-
		(19,787)	270,511	85,715	311,256
Earnings per share:					
Basic (cents per share)	18	(3.70)	53.24		
Diluted (cents per share)	18	(3.70)	53.00		

Notes to the financial statements are included on pages 54 to 87.

BALANCE SHEET

AS AT 31 DECEMBER 2008

	Note	Consolidated		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current assets					
Cash and cash equivalents	27	142,540	156,680	102,840	638
Trade and other receivables	7	28,964	38,450	142,202	5,491
Inventories	8	108,008	114,318	-	-
Current tax asset	4(c)	19,385	-	-	-
Other	9	593	1,823	-	-
Total current assets		299,490	311,271	245,042	6,129
Non-current assets					
Trade and other receivables	7	4,925	4,094	74,178	74,178
Inventories	8	114,776	90,779	-	-
Property, plant and equipment	11	496,214	460,438	34	34
Mine assets	12	71,389	77,271	-	-
Deferred tax assets	4(b)	26,252	19,532	506	2,098
Other	9	1,124	961	252,656	271,584
Financial assets	10	-	-	317,539	317,539
Total non-current assets		714,680	653,075	644,913	665,433
Total assets		1,014,170	964,346	889,955	671,562
Current liabilities					
Trade and other payables	13	54,183	86,123	378	766
Provisions	14	4,685	5,666	828	611
Current tax liabilities	4(c)	-	46,373	-	-
Total current liabilities		58,868	138,162	1,206	1,377
Non-current liabilities					
Trade and other payables	13	37,616	36,290	1,030	1,030
Provisions	14	43,601	34,996	516	444
Deferred tax liabilities	4(b)	59,060	52,863	7	7
Total non-current liabilities		140,277	124,149	1,553	1,481
Total liabilities		199,145	262,311	2,759	2,858
Net assets		815,025	702,035	887,196	668,704
Equity					
Issued capital	15	980,212	773,467	980,212	773,467
Reserves	16	182	4,156	182	4,156
Accumulated losses	17	(160,636)	(69,658)	(93,198)	(108,919)
Parent entity interest		819,758	707,965	887,196	668,704
Minority interest	30	(4,733)	(5,930)	-	-
Total equity		815,025	702,035	887,196	668,704

Notes to the financial statements are included on pages 54 to 87.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

2008	Consolidated						Company			
	Issued capital	Employee benefit reserve	Accum. losses	Attribut. to members of the parent entity	Minority interest	Total	Issued capital	Employee benefit reserve	Accum. losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2008 - restated	773,467	4,156	(69,658)	707,965	(5,930)	702,035	773,467	4,156	(108,919)	668,704
(Loss) / profit for the year	-	-	(20,984)	(20,984)	1,197	(19,787)	-	-	85,715	85,715
Total recognised (expense)/income	-	-	(20,984)	(20,984)	1,197	(19,787)	-	-	85,715	85,715
Transfer to share capital	3,974	(3,974)	-	-	-	-	3,974	(3,974)	-	-
Proceeds from rights issue	202,771	-	-	202,771	-	202,771	202,771	-	-	202,771
Dividends Paid (note 19)	-	-	(69,994)	(69,994)	-	(69,994)	-	-	(69,994)	(69,994)
Balance at 31 December 2008	980,212	182	(160,636)	819,758	(4,733)	815,025	980,212	182	(93,198)	887,196

2007	Consolidated						Company			
	Issued capital	Employee benefit reserve	Accum. losses	Attribut. to members of the parent entity	Minority interest	Total	Issued capital	Employee benefit reserve	Accum. losses	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 January 2007 as previously reported	773,467	2,078	(18,881)	756,664	(1,661)	755,003	773,467	2,078	(94,618)	680,927
Re-allocation of tax	-	-	2,416	2,416	(2,416)	-	-	-	-	-
Restated balance as at 1 January 2007	773,467	2,078	(16,465)	759,080	(4,077)	755,003	773,467	2,078	(94,618)	680,927
Profit for the year	-	-	272,364	272,364	(1,853)	270,511	-	-	311,256	311,256
Total recognised (expense)/income	-	-	272,364	272,364	(1,853)	270,511	-	-	311,256	311,256
Share based payments	-	2,078	-	2,078	-	2,078	-	2,078	-	2,078
Dividends Paid (note 19)	-	-	(325,557)	(325,557)	-	(325,557)	-	-	(325,557)	(325,557)
Balance at 31 December 2007	773,467	4,156	(69,658)	707,965	(5,930)	702,035	773,467	4,156	(108,919)	668,704

Notes to the financial statements are included on pages 54 to 87.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	Consolidated		Company	
		2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Cash flows from operating activities					
Receipts from customers		438,637	839,740	-	-
Payments to suppliers and employees		(440,566)	(411,905)	(750)	(10,238)
Interest received		4,586	20,648	-	219
Interest and other costs of finance paid		(1,629)	(1,248)	-	(5)
Income taxes paid		(59,195)	(140,495)	-	-
Net cash (used in)/provided by operating activities	27(b)	(58,167)	306,740	(750)	(10,024)
Cash flows from investing activities					
Dividends received – subsidiaries		-	-	82,000	316,615
Payments for exploration and evaluation costs		(2,217)	(2,323)	(2,036)	(2,206)
Payments for property, plant and equipment		(77,444)	(110,376)	-	(6)
(Purchases)/proceeds from term deposits and bonds		(8,786)	848	(108)	848
Net cash (used in)/provided by investing activities		(88,447)	(111,851)	79,856	315,251
Cash flows from financing activities					
Proceeds from issue of shares		210,210	-	210,210	-
Cost of issue of shares		(7,439)	-	(7,439)	-
(Repayment of)/proceeds from loans from controlled entities		-	-	(109,681)	16,218
Repayment of borrowings		-	(15,207)	-	-
Finance lease payments		-	(7,890)	-	-
Dividends paid:					
– members of the parent entity		(69,994)	(325,557)	(69,994)	(325,557)
Net cash provided by/(used in) financing activities		132,777	(348,654)	23,096	(309,339)
Net (decrease)/increase in cash and cash equivalents		(13,837)	(153,765)	102,202	(4,112)
Cash and cash equivalents at the beginning of the financial year		156,680	310,748	638	4,750
Effects of exchange rate changes on the balance of cash held in foreign currencies (i)		(303)	(303)	-	-
Cash and cash equivalents at the end of the financial year	27(a)	142,540	156,680	102,840	638

(i) The translation rate for the A\$:US\$ exchange rate was 0.6983 at 31 December 2008 (0.8776 at 31 December 2007). Notes to the financial statements are included on pages 54 to 87.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

1. ADOPTION OF NEW AND REVISED ACCOUNTING STANDARDS

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for annual reporting periods beginning on 1 January 2008.

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective:

	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 8 'Operating Segments' and AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	31 December 2009
AASB 101 (revised September 2007) 'Presentation of Financial Statements' and AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101' and AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	31 December 2009
AASB 123 'Borrowing Costs' – revised standard and AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	31 December 2009
AASB 2008-1 'Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations'	1 January 2009	31 December 2009
AASB 2008-2 'Amendments to Australian Accounting Standards – Puttable Financial Instruments and Obligations arising on Liquidation'	1 January 2009	31 December 2009
AASB 3 (revised) 'Business Combinations'	1 July 2009	31 December 2010
AASB 127 (revised) 'Consolidated and Separate Financial Statements'	1 July 2009	31 December 2010
AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	1 July 2009	31 December 2010
AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 January 2009	31 December 2009
AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'	1 July 2009	31 December 2010
AASB 2008-7 'Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	31 December 2009
AASB 2008-8 'Amendments to Australian Accounting Standards – Eligible Hedged Items'	1 July 2009	31 December 2010
AASB Interpretation 16 'Hedges of a Net Investment in a Foreign Operation'	1 October 2008	31 December 2009
AASB Interpretation 17 'Distributions of Non-Cash Assets to Owners' and AASB 2008-13 'Amendments to Australian Accounting Standards arising from AASB Interpretation 17 – Distributions of Non-Cash Assets to Owners'	1 July 2009	31 December 2010

At the date of authorisation of the financial report, other Standards and Interpretations, including those Standards or Interpretations issued by the IASB/IFRIC where an equivalent Australian Standard or Interpretation has not been made by the AASB, that were on issue but not yet effective were not considered to have an effect on the Consolidated Entity as at reporting date.

The directors note that the impact of the initial application of the Standards and Interpretations is not yet known or is not reasonably estimable. These Standards and Interpretations will be first applied in the financial report of the Group that relates to the annual reporting period beginning on or after the effective date of each pronouncement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

2. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law.

The financial report includes the separate financial statements of the company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 20 February 2009.

Basis of preparation

The financial report has been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and entities (including special purpose entities) controlled by the company (its subsidiaries) (referred to as 'the Group' in these financial statements). Control is achieved where the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All inter-group transactions, balances, income and expenses are eliminated in full on consolidation. In the separate financial statements of the company, intra-group transactions ('common control transactions') are generally accounted for by reference to the existing (consolidated) book value of the items.

Minority interests in the net assets (excluding goodwill) of consolidated subsidiaries are identified separately from the Group's equity therein. Minority interests consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments.

(c) Taxation

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Taxation (continued)

Deferred tax

Deferred tax is accounted for using the balance sheet liability method. Temporary differences are differences between the tax base of an asset or liability and its carrying amount in the balance sheet. The tax base of an asset or liability is the amount attributable to that asset or liability for tax purposes.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination), which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

(d) Receivables

Trade and other debtors to be settled within 60-90 days are carried at original invoice amount less an allowance for any uncollectible amounts.

(e) Inventories

Inventories include stores, consumables and spares, ore stocks, work in progress and finished product that are in a form expected to be sold. Stores are valued at average cost. Where required inventories are written down to net realisable value.

Ore stocks are stockpiled for future processing if the ore has economic value. The processing of this ore is contemplated within the life of mine plan. Costs are apportioned to the ore stocks, based on proportionally allocating the total mining costs between medium and high grade ore stocks. Costs include direct and indirect mining costs, materials, labour and other fixed and variable overheads attributable to mining activities. The allocated cost of each recognised stockpile is assessed for its net realisable value, with any costs greater than assessed value being written off and charged as an expense to the income statement. Material with no economic value is also stockpiled, however no value is assigned to these stockpiles.

The value of work in progress and finished goods include mining costs and treatment and processing costs incurred to their stage of completion. All inventories are valued at the lower of cost and net realisable value. Expenses including marketing, selling and future costs of production are estimated to establish net realisable value. Inventories classified as non-current are not expected to be processed into final product and realised through sale within 12 months from the balance date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Revenue recognition

Revenue

Sales revenue comprises revenue earned (net of sales discounts and direct selling costs) from the provision of product to customers. Nickel and cobalt sales are recognised at a provisional spot price at the date of delivery. Final repricing for nickel sales is at an average spot price of the third month following delivery. Final repricing for cobalt sales is at an average spot price of the month following delivery. Sales not finalised in the fourth quarter are recognised at the best estimate of future settlement of outstanding sales as at 31 December. Any differences between the estimates as at 31 December and final pricing are recognised when the final pricing is determined. Sales revenue is recognised when significant risk and reward is passed to the buyer. Refer also to note 2(v).

Interest revenue is recognised on a time basis that takes into account the effective yield on the financial assets.

Other Income

The net gain or loss of non-current asset sales are included as other income/other expenses at the date significant risk and reward passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

(g) Property, plant and equipment

Items of property, plant and equipment are initially recorded at cost, being the fair value of consideration provided plus incidental costs, including an amount for rehabilitation obligations where applicable, and depreciated as outlined below. Items of property, plant and equipment, including buildings and leasehold property are depreciated/amortised using the straight-line method over their estimated useful lives. Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Depreciation and amortisation rates are reviewed annually.

The depreciation and amortisation rates used for each class of asset are as follows:

- Plant 5%
- Motor vehicles 20%
- Office equipment 5% - 25%
- Leased plant and equipment 20% - 40%

Heap Leach costs directly attributable to the Heap Leach project have been capitalised and are stated at cost. Cost includes expenditure that is directly attributable to the acquisition or construction of the item. Depreciation is provided for at the following rates so as to write off the cost over the assets estimated useful life:

- Plant 5% - 15%
- Building and civil works 10% - 20%

(h) Mine assets

Mine assets represent the accumulation of all exploration, evaluation and development expenditure incurred by or on behalf of the Group, mine properties in relation to areas of interest and mine properties acquired.

Exploration and Evaluation

Where right of tenure is current, all exploration and evaluation expenditure is capitalised in the period in which it is incurred and is impaired immediately until such time as a mineral resource is defined.

Development

Development costs related to an area of interest where right of tenure is current, are carried forward to the extent that it is probable that they are expected to be recouped through sale or successful exploitation of the area of interest.

Mine properties

Where mining of a mineral deposit has commenced, the accumulated development costs are transferred to mine properties. Amortisation of mine property costs is provided on the unit of production basis. The unit of production basis results in an amortisation charge proportional to the depletion of the estimated economically recoverable ore reserves.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, lease finance charges and exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the profit or loss in the period in which they are incurred.

(j) Leased assets

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as operating leases.

Assets held under finance lease are initially recognised at their fair value, or if lower the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Refer to note 2(i).

Contingent rentals are written off as an expense of the accounting period in which they are incurred. Capitalised lease assets are amortised on a straight-line basis over the term of the relevant lease, or where it is likely the Group will obtain ownership of the asset, the life of the asset.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

(k) Impairment

At each reporting date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less cost to sell and value in use. In determining the recoverable amount estimated future cash flows are discounted to their present value on a pre-tax basis using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, (or cash generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(l) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the company or Group. Trade accounts payable are normally settled within 60 days.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Rehabilitation

Provision for rehabilitation is determined based on the best estimates of the consideration required to settle the present obligation at the reporting date. The provision is based on future cash flows associated with meeting rehabilitation obligations over the life of the mine, and thus the carrying amount of the provision is the present value of those cash flows. This carrying amount of the provision increases each period to reflect the passage of time, with the increase being recognised as a finance charge. The initial recognition of the net present value of the full restoration and rehabilitation provision at the beginning of each project also results in the creation of an asset (included under the classification of property, plant and equipment) equal to that of the provision. This asset is amortised on a straight-line basis over the life of the mine.

(n) Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of employee benefits, which are not expected to be settled within 12 months, are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Contributions to defined contribution superannuation plans are expensed when incurred.

(o) Share-based payments

Share-based compensation benefits are provided to executives via the Long Term Incentive plan.

The fair value of options and rights granted under the Long Term Incentive plan is recognised as an employee benefit expense with a corresponding increase in employee benefits reserve. The fair value of the options is calculated at the date of grant using a Binomial model and allocated to each reporting period evenly over the period from grant date to vesting date. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and service period. Upon the exercise of options, the balance of the employee benefits reserve relating to those options is transferred to issued capital.

(p) Joint ventures

The Group's interest in jointly controlled assets and operations are brought to account by including its interest in the following amounts in the appropriate categories in the balance sheet and income statement:

- each of the individual assets employed in the joint venture;
- liabilities incurred by the Group in relation to the joint venture;
- expenses incurred in relation to the joint venture.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Foreign Currency

The functional currency of each group entity has been determined to be Australian dollars. Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the income statement in the financial year in which the exchange rates change.

The translation rate for the A\$:US\$ exchange rate was 0.6983 at 31 December 2008 (0.8776 at 31 December 2007).

(r) Derivative financial instruments

Although the company does not currently have any derivative financial instruments the following policies have been disclosed as the policies of the company. The Group is exposed to changes in interest rates, foreign exchange rates and commodity prices from its activities. The Group may use forward foreign exchange contracts, forward commodity exchange contracts and put and call options to hedge its foreign exchange rate and commodity risk. Derivative financial instruments are not held for speculative purposes.

Derivatives are initially recorded at fair value. Derivatives outstanding at the balance date are revalued to fair value and any gains or losses are brought to account in the income statement.

Hedge accounting

The Group designates certain hedging instruments, which include derivatives, embedded derivatives and non-derivatives in respect of foreign currency risk, as either fair value hedges, cash flow hedges or hedges of net investments in foreign operations.

Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship the entity documents the relationship between the hedging instrument and hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss.

Hedge accounting is discontinued when the hedge instrument expires or is sold, terminated, exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in profit or loss.

Derivatives that do not qualify for hedge accounting

Where certain derivative instruments do not qualify for hedge accounting, changes in the fair value of those derivative instruments are recognised immediately in profit or loss.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss.

The Group does not have any forward foreign exchange contracts, forward commodity exchange contracts or put and call options.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Financial assets

Investments are recognised and derecognised on trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value.

Subsequent to initial recognition, investments in subsidiaries are measured at cost in the company financial statements. Subsequent to initial recognition, investments in associates are accounted for under the equity method in the consolidated financial statements and the cost method in the company financial statements.

Other financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss'; 'held-to-maturity investments'; 'available-for-sale' financial assets; and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriate, a shorter period. Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

Financial assets at fair value through profit or loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial asset:

- (i) has been acquired principally for the purpose of selling in the near future;
- (ii) is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- (iii) is a derivative that is not designated and effective as a hedging instrument.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.

Held-to-maturity investments

Bills of exchange and debentures with fixed or determinable payments and fixed maturity dates where the Group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Available-for-sale financial assets

Financial assets classified as being available-for-sale are stated at fair value. Gains and losses arising from changes in fair value are recognised directly in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the investments revaluation reserve is included in profit or loss for the period.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in equity.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest is recognised by applying the effective interest rate.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Financial assets (continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written-off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss, to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity.

(t) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

(u) Earnings per share

Basic earnings per share

Basic earnings per share (EPS) is calculated by dividing the net profit attributable to members of the parent entity for the reporting period, after excluding any costs of servicing equity (other than ordinary shares and converting preference shares classified as ordinary shares for EPS calculation purposes), by the weighted average number of ordinary shares of the company, adjusted for any bonus issue.

Diluted earnings per share

Diluted EPS is calculated by dividing the basic earnings per share, adjusted by the after tax effect of financing costs associated with dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares, by the weighted average number of ordinary shares and dilutive potential ordinary shares adjusted for any bonus issue.

(v) Use and revision of accounting estimates

As a result of the uncertainties inherent in business and other activities, many items in a financial report cannot be measured with precision but can only be estimated. The estimation process involves best estimates based on the latest information available. Estimates may be required, for example, of bad debts, inventory obsolescence, provision for rehabilitation or the useful lives or expected pattern of consumption of economic benefits of depreciable assets. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Use and revision of accounting estimates (continued)

(i) Mine rehabilitation provision

The Group assesses its mine rehabilitation provision annually in accordance with the accounting policy note stated in note 2(m). Significant judgement is required in determining the provision for mine rehabilitation, as there are many transactions and other factors that will affect the ultimate liability payable to rehabilitate the mine site. Factors that will affect this liability include future development, changes in technology, commodity price changes and changes in interest rates. When these factors change or become known in the future, such difference will impact the mine rehabilitation provision in the period in which they change or become known.

(ii) Sales revenue

Nickel and cobalt sales are recognised at a provisional spot price at the date of delivery. Final repricing for nickel sales is at an average spot price of the third month following delivery. Final repricing for cobalt sales is at an average spot price of the month following delivery. Sales not finalised in the fourth quarter of the year are recognised at the best estimate of future settlement of outstanding sales as at the end of each reporting period. Any differences between the estimates as at the end of each reporting period and final pricing are recognised when the final pricing is determined. Refer also to note 2(f).

(iii) Income taxes

The Group is subject to income taxes in Australia. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

(iv) Net realisable value adjustments on ore stockpiles

In accordance with Accounting Standard AASB 102 Inventories, the company measures its inventories at the lower of cost and net realisable value. The determination of net realisable value requires the company to use estimates and assumptions concerning future selling prices and future costs to convert ore stocks to finished goods. When these assumptions become known in the future, and to the extent that they differ from the assumptions made, such differences will impact pre-tax profit and the carrying values of inventories.

(v) Long service leave provision

The liability for long service leave is recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at balance date. In determining the present value of the liability, attrition rates and pay increases through promotion and inflation have been taken into account.

(vi) Recoverable value of non current assets

In accordance with Accounting Standard AASB 136 Impairment of Assets, the company is required to calculate the recoverable amount of non current assets. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In determining recoverable amount the company uses estimates and assumptions concerning future selling prices, future costs and other associated variables. When these assumptions become known in the future, and to the extent that they differ from the assumptions made, such differences will impact the recoverable amount of non current assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

3 PROFIT FROM OPERATIONS

(a) Revenue

Revenue from operations consisted of the following items:

Sales revenue

Revenue from sale of product – Nickel (i)	361,833	735,308	14,647	-
– Cobalt	80,468	88,799	-	-
– Other	1,668	2,391	-	-
Sales discounts, commission and freight charges	(18,572)	(43,148)	(586)	-
	425,397	783,350	14,061	-
Dividends – Subsidiaries	-	-	82,000	316,615
Interest revenue – Bank deposits	4,586	20,648	-	219
Ore royalty (ii)	1,967	1,654	-	-
Other	255	1,409	-	-
	6,808	23,711	82,000	316,834
	432,205	807,061	96,061	316,834

(i) As at 31 December 2008, 4,918 metric tonnes (MT) nickel sales for the fourth quarter (2007: 3,500 MT) were provisionally priced at US\$11,609/MT (2007: US\$26,010/MT), with final repricing to occur in the first quarter of 2009 under the Nickel and Cobalt Off take Agreements. Refer note 25 for nickel sales in the wholly owned group.

(ii) Ore royalty represents royalties received in respect of ore processed from the Abednego tenements that do not eliminate on consolidation.

(b) Finance Costs

Interest expense relating to the provision for rehabilitation	(3,343)	(1,936)	-	-
Interest on obligations under finance lease	-	(248)	-	-
Interest on secured loan	(33)	(1,000)	-	(5)
Other costs of finance (i)	(1,596)	-	-	-
	(4,972)	(3,184)	-	(5)

(i) Includes fees in relation to short term funding arrangement (note 25(ii)) and restructuring costs associated with the bank guarantee facility (note 21(iii)).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
3 PROFIT FROM OPERATIONS (CONTINUED)				
(c) Profit for the year				
Profit before income tax has been arrived at after charging the following expenses from operations:				
Cost of product sold				
Production costs	(355,333)	(317,165)	-	-
Depreciation of property, plant and equipment	(41,024)	(32,073)	-	-
Amortisation of leased property, plant and equipment	-	(1,069)	-	-
Amortisation of mine properties	(5,942)	(6,287)	-	-
Operating lease expense - minimum lease payments	(4,604)	(5,832)	-	-
Royalties	(10,117)	(17,593)	-	-
Total cost of product sold	(417,020)	(380,019)	-	-
Other income/(expenses)				
Corporate	(9,044)	(6,149)	(6,718)	(4,252)
Murrin Murrin administration and other	(12,033)	(10,569)	-	-
Equity share-based payments	-	(2,078)	-	(2,078)
Accrual for native title payable	(751)	(956)	-	-
Net foreign exchange losses (i)	(6,552)	(17,024)	-	-
Profit/(loss) on disposal of property, plant and equipment	15	(9,775)	-	-
	(28,365)	(46,551)	(6,718)	(6,330)
Profit before income tax has been arrived at after (charging)/crediting the following gains and losses:				
Inventory write back/(down)	2,392	(473)	-	-
Inventory price adjustment	(8,119)	4,149	-	-
Medium grade ore stock write down	(115)	(8,832)	-	-
Write-offs (note 11)	(662)	(673)	-	-
Impairment of exploration and evaluation	(2,217)	(2,323)	(2,036)	(2,206)
Unrealised foreign exchange and commodity price gains/(losses) on nickel prepayments (note 25)	-	-	(292,006)	(304,271)
Reversal of/(provision for) diminution in nickel prepayment – controlled entities (note 25)	-	-	292,006	304,271
	(8,721)	(8,152)	(2,036)	(2,206)
Employee benefit expense:				
Post employment benefits:				
Defined contribution plans	6,177	5,526	331	264
Share based payments	-	2,078	-	2,078
Other employee benefits	63,937	65,202	5,874	4,672
	70,114	72,806	6,205	7,014

(i) Foreign exchange gains/(losses) are generated on the receipt of sales revenue when booking the receipt against the debtor and on retranslation of monetary balances denominated in foreign currencies.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

4 INCOME TAXES

(a) Income tax recognised in profit or loss

Tax income/(expense) comprises:

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Current tax income/(expense)	3,568	(121,951)	-	-
Adjustments recognised in the current year in relation to the current tax of prior years	(448)	9,127	-	1,096
Deferred tax income/(expense) relating to the origination and reversal of temporary differences	3,966	34,973	(1,592)	1,864
Benefit arising from previously unrecognised tax losses, tax credits or temporary differences of a prior period that is used to reduce:				
– current tax (income)/expense	-	(20,793)	-	3
Total tax income/(expense)	7,086	(98,644)	(1,592)	2,963

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

(Loss)/profit from operations	(26,873)	369,155	87,307	308,293
Income tax (income)/expense calculated at 30%	(8,062)	110,747	26,192	92,488

Tax effect of amounts which are not deductible (taxable) in calculating taxable income:

Employee options	-	624	-	624
R & D permanent uplift	-	(2,380)	-	-
Legal and restructuring costs	-	95	-	6
Tax offset for franked dividends	-	-	(24,600)	(94,985)
Income tax losses not brought to account	528	386	-	-
Previously unrecognised and unused tax losses and tax offsets now recognised as deferred tax assets	-	(1,701)	-	-
	(7,534)	107,771	1,592	(1,867)

Adjustments recognised in the current year in relation to the current tax of prior years

	448	(9,127)	-	(1,096)
Total tax (income)/expense	(7,086)	98,644	1,592	(2,963)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

(b) Deferred tax balances

Deferred tax assets comprise:

Temporary differences	26,252	19,532	506	2,098
	26,252	19,532	506	2,098

Deferred tax liabilities comprise:

Temporary differences	59,060	52,863	7	7
	59,060	52,863	7	7

(c) Current tax (asset)/liabilities

Income tax (receivable)/payable	(19,385)	46,373	-	-
	(19,385)	46,373	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

4 INCOME TAXES (CONTINUED)

Taxable and deductible temporary differences arise from the following:

2008	Consolidated			Company		
	Opening balance \$'000	Charged to income \$'000	Closing balance \$'000	Opening balance \$'000	Charged to income \$'000	Closing balance \$'000
Gross deferred tax liabilities:						
Property, plant and equipment	17,101	5,755	22,856	-	-	-
Mine assets	23,182	(1,765)	21,417	7	-	7
Inventories	12,580	2,207	14,787	-	-	-
Borrowings	-	-	-	-	-	-
	52,863	6,197	59,060	7	-	7
Gross deferred tax assets:						
Inventories	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Provisions	19,532	6,720	26,252	2,098	(1,592)	506
Other	-	-	-	-	-	-
	19,532	6,720	26,252	2,098	(1,592)	506
	33,331	(523)	32,808	(2,091)	1,592	(499)

2007	Consolidated			Company		
	Opening balance \$'000	Charged to income \$'000	Closing balance \$'000	Opening balance \$'000	Charged to income \$'000	Closing balance \$'000
Gross deferred tax liabilities:						
Property, plant and equipment	39,431	(22,330)	17,101	-	-	-
Mine assets	25,007	(1,825)	23,182	-	7	7
Inventories	13,543	(963)	12,580	-	-	-
Borrowings	162	(162)	-	-	-	-
	78,143	(25,280)	52,863	-	7	7
Gross deferred tax assets:						
Inventories	-	-	-	-	-	-
Borrowings	-	-	-	-	-	-
Provisions	9,839	9,693	19,532	227	1,871	2,098
Other	-	-	-	-	-	-
	9,839	9,693	19,532	227	1,871	2,098
	68,304	(34,973)	33,331	(227)	(1,864)	(2,091)

Unrecognised deferred tax balances

The following deferred tax assets have not been brought to account as assets:

Tax losses

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
	20,181	19,335	-	-
	20,181	19,335	-	-

Tax consolidation

Relevance of tax consolidation to the Consolidated Entity

As at 31 December 2008, the directors have not made a decision to elect to be taxed as a single entity.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

5 KEY MANAGEMENT COMPENSATION

Details of key management personnel

P Coates	Non-executive Director since 1 April 2008 and Chairman since 9 May 2008
J Campbell	Non-executive Director and Chairman until 9 May 2008
P Johnston	Managing Director and Chief Executive Officer
J Morrison	Non-executive Director
I Glasenberg	Non-executive Director
W Strothotte	Non-executive Director
M Macpherson	Non-executive Director
M Ocskay	Alternate Non-executive Director since 29 December 2008
S Isaacs	Alternate Non-executive Director until 29 December 2008
W Ashworth	General Manager Operations
N Meadows	Projects Director until 31 August 2008
D Pile	Chief Financial Officer
C Walsh	General Counsel & Company Secretary until 10 January 2008
C Sargent	General Counsel & Company Secretary from 10 January 2008
J Cooke	Business Development Manager
M Brown	Engineering Services Manager since 1 July 2008

Compensation policy

The information outlining the key management personnel compensation policy has been transferred into the Directors' Report (refer Directors' Report).

Compensation

The aggregate of the key management personnel compensation of the Consolidated Entity and the company is set out below:

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
Short-term benefits	6,002,794	4,149,961	4,269,390	3,570,888
Post-employment benefits	347,123	256,339	217,737	156,928
Termination benefits	1,948,947	-	416,000	-
Share-based payments	-	887,098	-	750,732
	8,298,864	5,293,398	4,903,127	4,478,548

In relation to 2007 Mr Rodriguez and Mr Readett have been removed as they are no longer considered Key Management Personnel in 2008. Total remuneration for Mr Rodriguez and Mr Readett for 2007 was \$466,197 and \$389,443 respectively.

Share options and rights

The following reconciles the outstanding share options/rights granted under the LTI scheme at the beginning and end of the financial year:

	2008	2007
	Number of options/rights	Number of options/rights
Balance at beginning of the financial year	2,055,903	2,124,094
Lapsed during the financial year	(24,772)	(68,191)
Exercised during financial year	(2,031,131)	-
Balance at end of the financial year	-	2,055,903
The balance comprises:		
Outstanding share options/rights held by key management personnel	-	860,116
Outstanding share options/rights held by other staff members	-	1,195,787
	-	2,055,903

There is no weighted average exercise price for the options/rights as no consideration is payable for the exercise of the options/rights.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

5 KEY MANAGEMENT COMPENSATION (CONTINUED)

LTI Scheme 2007

The key terms of the performance rights granted under the 2007 LTI Scheme are as follows:

- each performance right is personal and non-assignable;
- holders of performance rights are not entitled to participate in new issues of securities offered to shareholders other than a bonus issue;
- the performance rights are subject to the satisfaction of certain performance hurdles, with the principal hurdle relating to the Total Shareholder Return (TSR) of the company;
- options over unissued shares will be granted following satisfaction of the performance hurdles;
- options have a nil exercise price;
- options will not vest before 1 January 2009;
- each option will expire if not exercised by 5 pm WST on 31 December 2011;
- the performance rights or any options granted do not attract the benefit of share ownership including dividend or voting entitlements prior to vesting; and
- the directors may, notwithstanding the satisfaction of any performance or other hurdles, at any time prior to shares being allotted on vesting of the performance rights or options to a participant, determine that all performance rights and options granted on a particular date will lapse.

Subject to the directors' approval, if the minimum performance criteria were satisfied for the 2007 LTI Scheme, performance rights would have been granted to participants as soon as practicable after 1 January 2008. However, options would only be granted on 1 January 2009 and only if the relevant participant remained employed by the Group at that time.

As the minimum performance criteria were not satisfied during the period 1 January 2007 to 31 December 2007, no performance rights were granted and no options were issued pursuant to the 2007 LTI Scheme.

LTI Scheme 2008

The key terms of the performance rights granted under the 2008 LTI Scheme are as follows:

- each performance right is personal and non-assignable;
- holders of performance rights are not entitled to participate in new issues of securities offered to shareholders other than a bonus issue;
- the performance rights are subject to the satisfaction of certain performance hurdles, with the principal hurdle relating to the Total Shareholder Return (TSR) of the company;
- performance rights will not vest before 1 January 2010;
- the performance rights do not attract the benefit of share ownership including dividend or voting entitlements prior to vesting;
- performance rights have a nil exercise price;
- shares will be issued at a nil exercise price on or around 1 January 2010 following satisfaction of the performance hurdles; and
- the directors may, notwithstanding the satisfaction of any performance or other hurdles, at any time prior to shares being allotted on vesting of the performance rights or options to a participant, determine that all performance rights and options granted on a particular date will lapse.

Subject to the directors' approval, if the minimum performance criteria were satisfied for the 2008 LTI Scheme, performance rights would have been granted to participants as soon as practicable after 1 January 2009. However, options would only be granted on 1 January 2010 and only if the relevant participant remained employed by the Group at that time.

As the minimum performance criteria were not satisfied during the period 1 January 2008 to 31 December 2008, no performance rights were granted and no options were issued pursuant to the 2008 LTI Scheme.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

5 KEY MANAGEMENT COMPENSATION (CONTINUED)

2008

Options and Rights holdings

Name	Held					Vested and Vested	Exercisable	Unexercisable	Value of options exercised at the exercise date
	No.at 1 Jan 2008	Granted as compensation	Exercise	Lapsed	No.at 31 Dec 2008				
Directors									
J Campbell	-	-	-	-	-	-	-	-	-
P Johnston	504,000	-	(504,000)	-	-	-	-	-	2,172,240
P Coates	-	-	-	-	-	-	-	-	-
J Morrison	-	-	-	-	-	-	-	-	-
I Glasenberg	-	-	-	-	-	-	-	-	-
W Strothotte	-	-	-	-	-	-	-	-	-
M Macpherson	-	-	-	-	-	-	-	-	-
Other Key Management Personnel									
D Pile	120,000	-	(120,000)	-	-	-	-	-	289,200
N Meadows	144,686	-	(144,686)	-	-	-	-	-	514,359
W Ashworth	49,600	-	(49,600)	-	-	-	-	-	172,360
C Walsh	38,858	-	(38,858)	-	-	-	-	-	8,743
C Sargent	-	-	-	-	-	-	-	-	-
J Cooke	52,572	-	(52,572)	-	-	-	-	-	139,579
M Brown	48,229	-	(48,229)	-	-	-	-	-	197,980
	957,945	-	(957,945)	-	-	-	-	-	3,494,461

2008

Equity Holdings

Name	Held					
	No.at 1 Jan 2008	Granted as compensation	Received on exercise of Options	Divestment	Equity acquired (non-option related)	No.at 31 Dec 2008
Directors						
J Campbell	-	-	-	-	-	-
P Coates	-	-	-	-	151,500	151,500
P Johnston	1,000,000	-	504,000	-	1,625,000	3,129,000
J Morrison	-	-	-	-	-	-
I Glasenberg (i)	-	-	-	-	-	-
W Strothotte (i)	-	-	-	-	-	-
M Macpherson	10,000	-	-	-	15,000	25,000
Other Key Management Personnel						
D Pile	-	-	120,000	(95,000)	40,000	65,000
N Meadows	-	-	144,686	(144,686)	-	-
W Ashworth	-	-	49,600	-	74,400	124,000
C Walsh	-	-	38,858	-	-	38,858
C Sargent	-	-	-	-	-	-
J Cooke	-	-	52,572	(42,572)	-	10,000
M Brown	-	-	48,229	(48,229)	-	-
	1,010,000	-	957,945	(330,487)	1,905,900	3,543,358

(i) Mr I Glasenberg and Mr W Strothotte hold an indirect interest in 824,829,760 ordinary shares.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

5 KEY MANAGEMENT COMPENSATION (CONTINUED)

2007

Options and Rights holdings

Name	Held					Vested and exercised at the exercise date \$	Vested and Unexercisable 31 Dec 2007	Vested and Unexercisable 31 Dec 2007	Value of options exercised at the exercise date \$
	No.at 1 Jan 2007	Granted as compensation	Exercised	Lapsed	No.at 31 Dec 2007				
Directors									
J Campbell	-	-	-	-	-	-	-	-	-
P Johnston	504,000	-	-	-	504,000	-	-	-	-
P Coates	-	-	-	-	-	-	-	-	-
J Morrison	-	-	-	-	-	-	-	-	-
I Glasenberg	-	-	-	-	-	-	-	-	-
W Strothotte	-	-	-	-	-	-	-	-	-
M Macpherson	-	-	-	-	-	-	-	-	-
Other Key Management Personnel									
D Pile	120,000	-	-	-	120,000	-	-	-	-
N Meadows	144,686	-	-	-	144,686	-	-	-	-
C Walsh	38,858	-	-	-	38,858	-	-	-	-
J Cooke	52,572	-	-	-	52,572	-	-	-	-
	860,116	-	-	-	860,116	-	-	-	-

2007

Equity Holdings

Name	Held					No.at 31 Dec 2007
	No.at 1 Jan 2007	Granted as compensation	Received on exercise of Options	Equity acquired (non-option related) Divestment	No.at 31 Dec 2007	
Directors						
J Campbell	-	-	-	-	-	-
P Coates	-	-	-	-	-	-
P Johnston	1,333,333	-	-	(333,333)	-	1,000,000
J Morrison	-	-	-	-	-	-
I Glasenberg (i)	-	-	-	-	-	-
W Strothotte (i)	-	-	-	-	-	-
M Macpherson	20,000	-	-	(10,000)	-	10,000
Other Key Management Personnel						
D Pile	-	-	-	-	-	-
N Meadows	-	-	-	-	-	-
C Walsh	-	-	-	-	-	-
J Cooke	-	-	-	-	-	-
	1,353,333	-	-	(343,333)	-	1,010,000

(i) Mr I Glasenberg and Mr W Strothotte hold an indirect interest in 246,968,500 ordinary shares.

In relation to 2007 Mr Rodriguez and Mr Readett have been removed as they are no longer considered Key Management Personnel in 2008. Mr Rodriguez and Mr Readett each had 55,200 options/rights and nil shares throughout the year ended 31 December 2007.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	Consolidated		Company	
	2008	2007	2008	2007
	\$	\$	\$	\$
6 REMUNERATION OF AUDITORS				
Auditor of the parent entity				
Audit and review of the financial report	334,000	293,000	334,000	212,000
Taxation services:				
Tax compliance and advisory	306,247	557,156	33,110	360,390
Other non-audit services - assurance services	64,500	50,500	64,500	-
	704,747	900,656	431,610	572,390

The auditor of Minara Resources Limited for the 2008 financial year was Deloitte Touche Tohmatsu.

7 TRADE AND OTHER RECEIVABLES

Current				
Trade debtors (i)	11,762	24,921	2	92
Term deposits (ii)	9,329	542	213	105
Other receivables	4,984	11,173	-	-
Receivables from controlled/related entities	2,889	1,814	141,987	5,294
	28,964	38,450	142,202	5,491
Non-current				
Receivables from controlled entities	-	-	84,771	84,771
Allowance for diminution in receivable	-	-	(10,593)	(10,593)
Other receivables	4,925	4,094	-	-
	4,925	4,094	74,178	74,178

(i) Trade debtors include amounts owed to the Consolidated Entity from the sale of finished product to Glencore under Nickel and Cobalt Off take Agreements of \$11,762,131 (2007: \$24,920,501). All sales under the off take agreements are on normal commercial terms and conditions. The average credit period on sales of goods is 37 days from the date of invoice.

There were no receivables that are past due but not impaired.

(ii) Term deposits also include other secured deposits as follows:

Amounts secured by bank issued indemnity guarantees

	Consolidated		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
	684	542	213	105

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
8 INVENTORIES				
Current				
Raw materials – at cost	76,452	79,716	-	-
Raw materials written down	(8,233)	(10,626)	-	-
	68,219	69,090	-	-
Ore stocks – at cost	18,314	13,485	-	-
Work in progress – at cost	19,534	21,582	-	-
Finished goods – at cost	1,941	10,161	-	-
Total current inventories	108,008	114,318	-	-
Non-Current				
Ore stocks	114,891	99,611	-	-
Ore stocks written down	(115)	(8,832)	-	-
Total non-current inventories (i)	114,776	90,779	-	-
Total Inventory	222,784	205,097	-	-
(i) Reconciliation of non-current ore stocks				
Ore stocks – at cost	111,240	90,779	-	-
Ore stocks – net realisable value	3,536	-	-	-
	114,776	90,779	-	-
9 OTHER ASSETS				
Current				
Prepayments	-	1,823	-	-
Other	593	-	-	-
	593	1,823	-	-
Non-current				
Nickel prepayments (note 25(b))	-	-	365,456	676,390
Impairment in nickel prepayments (note 25(b))	-	-	(112,800)	(404,806)
Secured deposits (i)	1,124	961	-	-
	1,124	961	252,656	271,584
(i) Secured by a bank issued indemnity guarantee.				
10 OTHER NON-CURRENT FINANCIAL ASSETS				
Investment in controlled entities – at cost	-	-	317,539	317,539
	-	-	317,539	317,539

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	Consolidated			Company		
	Plant and equipment at cost \$'000	Equipment under finance lease at cost \$'000	Total \$'000	Plant and equipment at cost \$'000	Equipment under finance lease at cost \$'000	Total \$'000
11 PROPERTY, PLANT AND EQUIPMENT						
Gross carrying amount						
Balance at 1 January 2007	576,042	32,711	608,753	1,073	996	2,069
Additions	114,271	-	114,271	6	-	6
Transferred in/(out) finance leased assets	7,609	(32,711)	(25,102)	-	-	-
Disposals	(18,082)	-	(18,082)	-	-	-
Write offs	(673)	-	(673)	-	-	-
Balance at 1 January 2008	679,167	-	679,167	1,079	996	2,075
Additions	77,463	-	77,463	-	-	-
Transferred in/(out) finance leased assets	-	-	-	-	-	-
Disposals	(54)	-	(54)	-	-	-
Write offs	(662)	-	(662)	-	-	-
Balance at 31 December 2008	755,914	-	755,914	1,079	996	2,075
Accumulated depreciation/amortisation and impairment						
Balance at 1 January 2007	(194,567)	(25,102)	(219,669)	(1,045)	(996)	(2,041)
Disposals/write offs	8,980	-	8,980	-	-	-
Transferred out finance leased assets	-	25,102	25,102	-	-	-
Depreciation expense	(33,142)	-	(33,142)	-	-	-
Balance at 1 January 2008	(218,729)	-	(218,729)	(1,045)	(996)	(2,041)
Disposals/write offs	53	-	53	-	-	-
Transferred out finance leased assets	-	-	-	-	-	-
Depreciation expense	(41,024)	-	(41,024)	-	-	-
Balance at 31 December 2008	(259,700)	-	(259,700)	(1,045)	(996)	(2,041)
Net book value						
As at 31 December 2007	460,438	-	460,438	34	-	34
As at 31 December 2008	496,214	-	496,214	34	-	34

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	Consolidated			Company		
	Mine properties at cost \$'000	Development at cost \$'000	Total \$'000	Mine properties at cost \$'000	Development at cost \$'000	Total \$'000
12 MINE ASSETS						
Gross carrying amount						
Balance at 1 January 2007	90,444	23,800	114,244	3,442	-	3,442
Additions	2,525	-	2,525	2,206	-	2,206
Disposals	-	-	-	-	-	-
Balance at 1 January 2008	92,969	23,800	116,769	5,648	-	5,648
Additions	2,277	-	2,277	2,035	-	2,035
Disposals	-	-	-	-	-	-
Balance at 31 December 2008	95,246	23,800	119,046	7,683	-	7,683
Accumulated depreciation/amortisation and impairment						
Balance at 1 January 2007	(30,888)	-	(30,888)	(3,442)	-	(3,442)
Disposals	-	-	-	-	-	-
Impairment of exploration and evaluation	(2,323)	-	(2,323)	(2,206)	-	(2,206)
Amortisation expense	(6,287)	-	(6,287)	-	-	-
Balance at 1 January 2008	(39,498)	-	(39,498)	(5,648)	-	(5,648)
Disposals	-	-	-	-	-	-
Impairment of exploration and evaluation	(2,217)	-	(2,217)	(2,035)	-	(2,035)
Amortisation expense	(5,942)	-	(5,942)	-	-	-
Balance at 31 December 2008	(47,657)	-	(47,657)	(7,683)	-	(7,683)
Net book value						
As at 31 December 2007	53,471	23,800	77,271	-	-	-
As at 31 December 2008	47,589	23,800	71,389	-	-	-

Aggregated depreciation allocated during the year is recognised as an expense and disclosed in note 3(c) to the financial statements.

The Consolidated Entity has capitalised for the year ended 31 December 2008 \$2,217,000 (2007: \$2,323,000) of exploration and evaluation expenditure, all of which has been impaired.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
13 TRADE AND OTHER PAYABLES				
Current				
Trade payables & accruals	49,817	83,719	378	766
Other payables	4,366	2,404	-	-
	54,183	86,123	378	766
Non-current				
Other payables (i)	37,616	36,290	1,030	1,030
	37,616	36,290	1,030	1,030

(i) Includes an amount of \$26,096,921 (2007: \$26,096,921) payable to Amshell Pty Limited, a subsidiary of Glencore, and relates to the acquisition of Abednego Nickel Pty Limited.

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the company or Group. Trade accounts payable are normally settled within 60 days.

14 PROVISIONS

Current				
Employee benefits (i)	4,685	5,666	828	611
	4,685	5,666	828	611
Non-current				
Employee benefits (i)	2,865	3,163	516	444
Provision for rehabilitation	40,736	31,833	-	-
	43,601	34,996	516	444
Rehabilitation (ii)				
	Consolidated		Company	
	Rehabilitation (ii)		Rehabilitation (ii)	
	\$'000		\$'000	
Balance at 1 January 2008	31,833		-	
Change in estimate of rehabilitation obligation	6,914		-	
Expenditure incurred	(1,354)		-	
Unwind discount expense for the year	3,343		-	
Balance at 31 December 2008	40,736		-	

(i) The present value of employee entitlements not expected to be settled within the twelve months from balance date have been calculated using the following weighted averages:

Assumed rate of increase in wage and salary rates (%)	3	3	3	3
Discount rate (%)	5	5	5	5
Settlement term (years)	5	5	5	5

(ii) The provision for rehabilitation represents the future expected cost of rehabilitation as a result of current mining operations. The rehabilitation provision is the best estimate of the expenditure required to settle the present obligation at the reporting date. The unwinding of the discount in the provision is charged to profit or loss as an interest expense.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	Consolidated		Company	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000

15 CONTRIBUTED EQUITY

1,167,783,517 fully paid ordinary shares (2007: 465,082,033)	980,212	773,467	980,212	773,467
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Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

Fully paid ordinary shares

Balance at beginning of financial period	465,082	773,467	465,082	773,467
Shares issued from exercise of options	2,031	3,974	-	-
Shares issued from rights issue	700,670	202,771	-	-
Balance at end of financial period	1,167,783	980,212	465,082	773,467

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	Company 2008		Company 2007	
	No.	\$'000	No.	\$'000
	'000	\$'000	'000	\$'000
Balance at beginning of financial period	465,082	773,467	465,082	773,467
Shares issued from exercise of options	2,031	3,974	-	-
Shares issued from rights issue	700,670	202,771	-	-
Balance at end of financial period	1,167,783	980,212	465,082	773,467

16 RESERVES

Employee equity-settled benefits	182	4,156	182	4,156
	182	4,156	182	4,156

The equity-settled employee benefits reserve arises on the grant of share options to executives and senior employees under the employee share option plan. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

Employee equity-settled benefits reserve

Balance at beginning of financial year	4,156	2,078	4,156	2,078
Share-based payment	-	2,078	-	2,078
Transfer to share capital	(3,974)	-	(3,974)	-
Balance at end of financial year	182	4,156	182	4,156

17 ACCUMULATED LOSSES

Balance at beginning of financial period - restated	(69,658)	(16,465)	(108,919)	(94,618)
Net profit attributable to members of the parent entity	(20,984)	272,364	85,715	311,256
Dividends paid (note 19)	(69,994)	(325,557)	(69,994)	(325,557)
Balance at end of financial period	(160,636)	(69,658)	(93,198)	(108,919)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	Consolidated	
	2008	2007
	Cents per share	Cents per share - restated

18 EARNINGS PER SHARE

Basic earnings per share	(3.70)	53.24
Diluted earnings per share	(3.70)	53.00

The earnings used in the calculation of basic earnings and diluted earnings per share are as follows:

	2008	2007
	\$'000	\$'000
Net (loss)/profit	(20,984)	272,364

	2008	2007
	No.	No.

Basic earnings per share

Weighted average number of ordinary shares for the purposes of basic earnings per share

	567,055,453	511,590,236
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Diluted earnings per share

Weighted average number of ordinary shares for the purposes of diluted earnings per share

	567,591,060	513,851,729
--	--------------------	-------------

	Consolidated	
	2008	2007
	No.	No.

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

Weighted average number of ordinary shares used in the calculation of basic EPS	567,055,453	511,590,236
Shares deemed to be issued for no consideration in respect of:		
Employee options	535,607	2,261,493
Weighted average number of ordinary shares used in the calculation of diluted EPS	567,591,060	513,851,729

The basic earnings per share and diluted earnings per share calculations have been recalculated to reflect the rights issue. As a result the weighted average number of shares increased by 50,639,019 (2007: 46,508,203) for basic earnings per share and 50,686,849 (2007: 46,713,794) for diluted earnings per share. The number of shares have been apportioned on a pro rata basis for the relevant time period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

21 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent liabilities

- (i) The details and estimated maximum amounts of contingent liabilities that may become payable are set out below. The directors are not aware of any circumstances or information, which would lead them to believe that these liabilities will materialise and consequently no provisions are included in the financial statements in respect of these matters.
- (ii) The Consolidated Entity has entered into agreements with numerous native title groups. Where agreements have not been reached with claimants the Consolidated Entity and the Project are adhering to the procedures as laid down in the Native Title Act. The Consolidated Entity is confident that any remaining tenements, which are now minimal, required for the Project will be granted.
- On 16 August 2005, Minara was served with a writ and statement of claim by five people claiming to represent the Goolburthunoo Native Title Group (Goolburthunoo) and the NEIB Aboriginal Corporation (NEIB).
- The claim is in relation to monies, totalling \$11,640,134, the Goolburthunoo and NEIB allege are due to be paid pursuant to an agreement, dated 8 July 1998, between the Goolburthunoo and Anaconda Nickel Ltd (now Minara Resources Ltd). The agreement relates to tenements now held by Murrin Murrin Holdings Pty Ltd and Glenmurrin Pty Ltd.
- Litigation funder, IMF, funds the claim brought by the NEIB Aboriginal Corporation and persons purporting to represent the Goolburthunoo Native Title Group. IMF has valued the claim, by ASX announcement, at \$32 million. Its basis for doing so is unsubstantiated. Minara is vigorously defending these proceedings.
- On 6 September 2005, Minara was served with a writ and statement of claim by persons claiming to represent the Wutha Native Title Claimant Group alleging breaches of an agreement entered into with Anaconda Nickel Ltd on 6 September 1996. Minara is vigorously defending these proceedings.
- On 7 January 2008 Murrin Murrin Operations Pty Ltd was served with a third party claim in proceedings by Mr Toby Beazley against Agensi Perkerjaan Recruitment Pty Ltd ("AP Recruitment"). Mr Beazley was employed by AP Recruitment as a rigger/scaffolder. He alleges he was injured at Murrin Murrin whilst working for AP Recruitment and has sued AP Recruitment for damages in negligence. AP Recruitment is claiming contribution from MMO under the Law Reform (Contributory Negligence and Tortfeasors' Contribution) Act. There has been no determination on damages or the claim by AP Recruitment against MMO.

Financing arrangements

- (iii) The group has in place bank guarantee facilities of \$40,082,900 (2007: \$39,000,000) of which \$36,016,102 (2007: \$36,340,000) was utilised. \$34,728,200 are in favour of the Minister of Mines (2007: \$36,339,584) and \$1,287,902 to other third parties (2007: \$960,000)

22 PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Name	Note	Class of Share	Interest Held %	
			2008	2007
Minara Resources Holdings Pty Ltd		Ord	100	100
Murrin Murrin Holdings Pty Ltd		Ord	100	100
Murrin Murrin Operations Pty Ltd	1,2	Ord	100	100
Minara Pastoral Holdings Pty Ltd	1	Ord	60	60
Murrin Murrin East Pty Ltd	1	Ord	100	100
Yundamindra Pastoral Holdings Pty Ltd	1	Ord	60	60
Murrin Murrin Investments Pty Ltd	1	Ord	60	60
Abednego Nickel Pty Ltd	1	Ord	100	100
Canning Basin Investments Pty Ltd	1	Ord	100	100
Jenlore Pty Ltd	1	Ord	100	100
MGM Gold Pty Ltd	1	Ord	100	100
Murrin Murrin Resources Pty Ltd	1	Ord	100	100
Mount Margaret Nickel Pty Ltd	1	Ord	60	60
Anaconda Exploration Pty Ltd	1	Ord	100	100
Quartz Water Leonora Pty Ltd	1	Ord	60	60
Pilbara Nickel Pty Ltd	1	Ord	100	100
Leonora Metals Pty Ltd	1	Ord	100	100
Rentals (Calcrete) Pty Ltd	1	Ord	60	60
Rentals (Cogen) Pty Ltd	1	Ord	60	60
Rentals (Village) Pty Ltd	1	Ord	60	60
South Coast Metals Pty Ltd	1	Ord	100	100

- These companies are small proprietary companies, incorporated in Australia, as defined by the Corporations Act and are not required to be audited for statutory purposes.
- Manager of the Murrin Murrin Joint Venture.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

23 JOINTLY CONTROLLED OPERATIONS AND ASSETS

Murrin Murrin Holdings Pty Ltd has a 60% (2007: 60%) interest in the Murrin Murrin JV Project (Project). Murrin Murrin Operations Pty Ltd is the operator of the Project.

The Consolidated Entity has incurred expenditure on the Murrin Murrin East Project in a 60/40 joint venture arrangement with Glencore. The expenditure relates to feasibility studies on exploration and evaluation interests originally owned by Murrin Murrin East Pty Ltd (MME) a wholly owned controlled entity of the company.

Included in the assets of the Consolidated Entity are the following items, which represent the Consolidated Entity's interest in the assets employed in the Murrin Murrin JV Project (60%) and Murrin Murrin East Project (60%), recorded in accordance with the accounting policies described in note 2.

The Consolidated Entity's interest in assets employed in the above jointly controlled operations and assets is detailed below. The amounts are included in the consolidated financial statements under their respective asset categories.

	Consolidated	
	2008	2007
	\$'000	\$'000
Current assets		
Cash	13,358	3,161
Trade and other receivables	366	334
Receivables	11,184	14,683
Inventory	106,067	104,158
Other	524	1,350
Total current assets	131,499	123,686
Non-current assets		
Receivables	4,710	15,100
Inventory	114,776	90,779
Property, plant and equipment	481,828	457,340
Mine assets	71,389	77,271
Other	1,123	960
Total non-current assets	673,826	641,450
Total assets	805,325	765,136

The Consolidated Entity has interests in other exploration joint ventures, however these are not considered material.

Contingent liabilities and capital commitments

The capital commitments and contingent liabilities arising from the Consolidated Entity's interests in joint ventures are disclosed in notes 20 and 21 respectively.

24 SEGMENT INFORMATION

The Consolidated Entity operates in Western Australia in the nickel mining industry.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

25 RELATED PARTY DISCLOSURES

(a) Transactions with other related parties

Glencore International AG (Glencore)

- (i) In January 2002, Murrin Murrin Holdings Pty Ltd (MMH) entered into a Nickel Off take Agreement (NOA) and a Cobalt Off take Agreement (COA) with Glencore. The NOA allows Glencore to purchase up to 24,000 tonnes of nickel per annum from MMH, for a period up to 30 November 2006, at a 4% discount to the prevailing London Metal Exchange quoted price. The COA allows Glencore to purchase MMH's entire share of cobalt produced by the Project for a period up to 30 November 2006, at a 3.5% discount on the market sale price subject to a minimum/maximum discount of 30c/lb and 50c/lb respectively. The NOA and COA were approved by shareholders at an extraordinary general meeting on 9 January 2002. On 30 November 2005, both the NOA and the COA were extended for a further 5 years from 1 December 2006.
- (ii) On 3 September 2008 the company entered into a Deed of Variation to its NOA and COA, to enable the company to refinance or complete a capital raising, whereby settlements required to be made by the company to Glencore were deferred for a period of up to six months to enable the company to complete a capital raising. The company completed a fully underwritten renounceable pro-rata rights issue on 5 December 2008 and all outstanding monies owing under the Deed of Variation were repaid in full in line with the agreement.
- (iii) The renounceable pro-rata rights issue was fully underwritten by Glencore for a fee of 3.5% (\$7,357,039) of the gross proceeds of the rights issue. In addition Glencore was reimbursed \$73,315 for out of pocket expenses in relation to the rights issue. These fees were offset against the gross proceeds of the rights issue.
- (iv) In January 2009 the Murrin Murrin Joint Venture entered into an agreement with Glencore Land (Australia) Pty Ltd for the purchase of ammonium sulphate, for further information refer note 26.

Details of Glencore representatives are as disclosed in note 5 and in the Remuneration Report within the Directors' Report.

(b) Wholly owned group

During the period there were 1,360 tonnes of nickel (2007: nil) sold/delivered to Minara under a forward sale agreement. At 31 December 2008, the balance owing to Minara from MMH under the forward sale agreement was 21,042 (2007: 22,402) tonnes of nickel. On revaluation of the balance at a provisional transaction price of US\$11,609/MT (2007: US\$26,010/MT) an unrealised foreign exchange and commodity price loss of A\$292,005,859 (2007: A\$304,270,674) was recognised. As there is no timeframe for delivery Minara has provided fully for the revaluation. The forward sales contracts are on an arms length basis in US Dollars.

All receivables and payables with related entities are unsecured, interest free, and repayable on demand.

(c) Other related parties

The company provides corporate and other administration services to its controlled entities and the Project from which it recovers 50% (2007: 80%) of budget costs. These transactions are in the normal course of business and on normal terms and conditions. These services amounted to \$2,599,010 (2007: \$4,107,372). Glencore as the owner of 40% of the project would have taken up 40% of this charge being \$1,039,604 (2007: \$1,642,949). The project purchased ore from Canning Basin Investments Pty Ltd, which is owned 60% by the Consolidated Entity. The agreement is based on the unit price per tonne processed by the Murrin Murrin Joint Venture. During the year, Canning Basin Investments Pty Ltd received \$1,966,714 from the project for ore processed (2007: \$1,653,709).

(d) Parent entities

The holding company and ultimate holding company is Glencore International AG.

26 SUBSEQUENT EVENTS

The Murrin Murrin Joint Venture entered into an off take agreement with Glencore Land (Australia) Pty Ltd, a subsidiary of Glencore, commencing 1 February 2009 following a tender process which included a number of parties. The off take agreement allows Glencore Land to purchase all ammonium sulphate produced as a by product of the refining process. The agreement is for a period of three years at a fixed price for the first year and market linked price for the second and third years.

Other than as mentioned above, there has not arisen any other matter in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial years.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

27 NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

Cash and cash equivalents	142,540	156,680	102,840	638
For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments.				

(b) Reconciliation of profit for the period to net cash flows from operating activities

(Loss)/profit for the year	(19,787)	270,511	85,715	311,256
adjusted for the following items:				
Non-cash interest and other cost of finance paid	3,343	1,936	-	-
Depreciation and amortisation	46,966	39,428	72	299
Loss on disposal of property, plant and equipment	-	9,775	-	-
Write-off of property, plant and equipment	662	673	-	-
Unrealised foreign exchange (gains)/losses	304	(776)	-	-
Allowance for inventory obsolescence	(2,392)	473	-	-
Medium grade ore write-down	115	8,832	-	-
Other inventory adjustments	8,119	(4,149)	-	-
Employee share based payments	-	2,079	-	2,078
Settlement of deferred sales	-	-	(14,061)	-
Dividend income	-	-	(82,000)	(316,615)
Provision for exploration and development	2,217	2,323	2,036	2,206
Other provisions	172	105	-	-
Accrual for native title	751	956	-	-
Ore royalty accrual	(1,967)	(1,654)	-	-
Increase in current tax liability	(6,563)	133,617	-	(1,099)
Increase in deferred tax balances	(523)	(34,973)	1,592	(1,864)
Changes in net assets and liabilities:				
(Increases)/decreases in assets:				
Receivables	19,233	72,778	89	(89)
Inventory	(23,527)	(72,099)	-	-
Other assets	1,010	(1,202)	-	-
Increases/(decreases) in liabilities:				
Trade creditors	(89,830)	(122,732)	5,590	(6,196)
Provisions	3,530	839	217	-
Net cash provided from/(used in) operating activities	(58,167)	306,740	(750)	(10,024)

(c) Non-cash financing and investment activities

There were no non-cash financing and investing activities undertaken by the Consolidated Entity during the financial period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

28 AMOUNTS RECEIVABLE/PAYABLE IN FOREIGN CURRENCIES

Amounts receivable/(payable) in foreign currency which are not effectively hedged:

United States Dollars (equivalent):

Cash	29,651	21,804	-	-
Current - Receivables	11,762	24,921	-	-
Current - Payables	(2,750)	(3,624)	-	-

29 FINANCIAL INSTRUMENTS

(a) Capital risk management

The Consolidated Entity and the company manage their capital to ensure that constituent entities are able to continue as a going concern whilst retaining an optimal debt to equity balance. The capital structure of the Group and the company consists of equity attributable to equity holders of the parent, comprising Contributed Equity (note 15), Reserves (note 16) and Accumulated Losses (note 17).

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000

(c) Categories of financial instruments

Financial assets

Loans and receivables (including cash and cash equivalents)	178,146	202,008	319,220	397,846
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Financial liabilities

Amortised cost:

Loans, trade payables and provisions	132,535	154,246	1,408	1,796
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(d) Financial risk management objectives

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide written principles on the use of financial derivatives.

(e) Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence exposure to exchange rate fluctuations arise. The Group remains unhedged against foreign currency fluctuations.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

	Liabilities		Assets	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
US dollars	2,750	3,624	41,413	46,725

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

29 FINANCIAL INSTRUMENTS (CONTINUED)

(f) Foreign currency sensitivity

The Group is mainly exposed to US dollars.

The following table details the Group's sensitivity to a 10% increase and decrease in the Australian dollar against the US dollar. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible changes in foreign exchange rates.

	Liabilities		Assets	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Profit or loss – increase 10%	(240)	(313)	(3,765)	(4,248)
– decrease 10%	292	382	4,601	5,192

US dollar denominated transactions occur consistently throughout the year. In management's opinion, the sensitivity analysis is not representative of the inherent foreign exchange risk as the year-end exposure does not reflect the exposure during the year.

(g) Interest rate risk management

The company and the Group are exposed to interest rate risk as entities in the Group hold cash and term deposits and borrow funds at both fixed and floating interest rates. The risk is managed by the Group maintaining an appropriate mix between fixed and floating rate borrowings.

The company and the Group's exposure to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

Interest rate sensitivity

The Group has cash on hand and no outstanding loans, and as such does not have a material exposure to interest rates as at 31 December 2008.

(h) Commodity price risks

Under the terms of the Glencore Off take Agreement (note 25) the Group is exposed to movements in the nickel prices on unfinalised sales.

The following table details the sensitivity of an increase or decrease of 10% in the price of nickel on financial assets and financial liabilities:

	Liabilities		Assets	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Profit or loss	204	259	7,850	9,966

Commodity sales occur consistently throughout the year. In management's opinion, the sensitivity analysis is not representative of the inherent commodity price risk as the year end exposure does not reflect the exposure during the year.

(i) Credit risk management

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted.

The credit risk on financial assets, excluding investments, of the company and the Group which have been recognised on the balance sheet, is the carrying amount, net of any allowance for doubtful debts.

Credit risk in respect of cash, deposits and receivables is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised rating agency.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

29 FINANCIAL INSTRUMENTS (CONTINUED)

(i) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk management framework of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining reserves adequate for immediate requirements and achieving returns on capital via investing excess funds in highly liquid short term investments.

The following tables detail the company and the Group's remaining contractual maturity for its non-derivative financial assets and liabilities. The tables have been drawn up based on the undiscounted cash flows expected to be received/paid by the Group.

2008	Weighted average effective interest rate	Maturity					Total \$'000
		Less than 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	
Group	%						
Financial assets:							
Non interest bearing		-	20,228	-	-	4,925	25,153
Interest bearing		-	-	-	-	-	-
Variable interest rate instrument	5.45	142,540	-	-	-	-	142,540
Other – secured deposits	4.20	-	10,453	-	-	-	10,453
		142,540	30,681	-	-	4,925	178,146
Financial liabilities:							
Non interest bearing		-	54,183	-	11,519	26,097	91,799
Provisions		-	-	-	-	154,369	154,369
		-	54,183	-	11,519	180,466	246,168
<hr/>							
2007	Weighted average effective interest rate	Maturity					Total \$'000
		Less than 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	
Group	%						
Financial assets:							
Non interest bearing		-	37,908	-	-	4,094	42,002
Interest bearing							
Variable interest rate instrument	6.32	156,680	-	-	-	-	156,680
Other – secured deposits	6.50	-	1,503	-	-	-	1,503
		156,680	39,411	-	-	4,094	200,185
Financial liabilities:							
Non interest bearing		-	86,123	-	10,193	26,097	122,413
Provisions		-	-	-	-	124,716	124,716
		-	86,123	-	10,193	150,813	247,129

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

29 FINANCIAL INSTRUMENTS (CONTINUED)

2008	Weighted average effective interest rate	Maturity					Total
		Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	
Company	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:							
Non interest bearing		-	141,989	-	-	74,178	216,167
Interest bearing							
Variable interest rate instrument	5.45	102,840	-	-	-	-	102,840
Other – secured deposits	4.20	-	213	-	-	-	213
		102,840	142,202	-	-	74,178	319,220
Financial liabilities:							
Non interest bearing		-	378	-	1,030	-	1,408
Provisions		-	-	-	-	-	-
		-	378	-	1,030	-	1,408
2007							
2007	Weighted average effective interest rate	Maturity					Total
		Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	
Company	%	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:							
Non interest bearing		-	5,386	-	-	74,178	79,564
Interest bearing							
Variable interest rate instrument	6.32	638	-	-	-	-	638
Other – secured deposits	6.50	-	105	-	-	-	105
		638	5,491	-	-	74,178	80,307
Financial liabilities:							
Non interest bearing		-	766	-	1,030	-	1,796
Provisions		-	-	-	-	-	-
		-	766	-	1,030	-	1,796

(k) Net fair value of financial instruments

The carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values.

30 MINORITY INTEREST

	Consolidated		Company	
	2008 \$'000	2007 \$'000	2008 \$'000	2007 \$'000
Minority interests in controlled entities comprise:				
Interest in retained profits at the beginning of the financial period - restated	(5,930)	(4,077)	-	-
Interest in profit from ordinary activities after income tax	1,197	(1,853)	-	-
Interest in retained profits at the end of the financial period	(4,733)	(5,930)	-	-

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 31 DECEMBER 2008

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the company and the Consolidated Entity;
- (c) the directors have been given the declarations required by s295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors:



P Coates
Chairman



PB Johnston
Managing Director & Chief Executive Officer

Perth, 20th day of February 2009

Independent Auditor's Report to the members of Minara Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of Minara Resources Limited, which comprises the balance sheet as at 31 December 2008, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 50 to 88.

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 Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

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Auditor's Independence Declaration

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

Auditor's Opinion

In our opinion:

- (a) the financial report of Minara Resources Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2008 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 24 to 35 of the directors' report for the year ended 31 December 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of Minara Resources Limited for the year ended 31 December 2008, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Ross Jerrard
Partner
Chartered Accountants
Perth, 20 February 2009

ASX ADDITIONAL INFORMATION

ADDITIONAL INFORMATION REQUIRED BY THE AUSTRALIAN SECURITIES EXCHANGE LISTING RULES AND NOT DISCLOSED ELSEWHERE IN THIS REPORT

HOME EXCHANGE

The company's ordinary shares are quoted on the Australian Securities Exchange. The home exchange is Perth.

SUBSTANTIAL SHAREHOLDERS

As at 25 February 2009, the following substantial shareholders as disclosed in substantial shareholder notices given to the company are as follows:

Shareholder	Ordinary Shares	Percentage of Total Ordinary Shares
Glencore International AG	824,829,760	70.63

VOTING RIGHTS

As at 25 February 2009 there were 1,167,783,517 ordinary shares. All issued shares carry voting rights on a one for one basis.

As at 25 February 2009, there were zero unlisted options over ordinary shares.

DISTRIBUTION OF SHAREHOLDINGS

As at 25 February 2009, the distribution of shareholdings was:

Range	Total Holders	Units	% Issued Capital
1-1000	3040	1,899,999	0.16
1001-5000	4905	13,711,756	1.17
5001-10,000	1590	12,730,840	1.09
10,001-100,000	1755	48,756,597	4.18
100,001-9,999,999,999	137	1,090,684,325	93.40
Total Issued Capital	11,427	1,167,783,517	100

UNMARKETABLE PARCELS

As at 25 February 2009, a marketable parcel of shares constituted 1409 shares (\$500). There were 3563 holders of less than a marketable parcel.

TWENTY LARGEST SHAREHOLDERS

As at 25 February 2009, the twenty largest shareholders held 90.62% of the total issued fully paid ordinary shares.

Rank	Name	Units	% of Issued Capital
1	Glencore International AG	824,829,760	70.63
2	J P Morgan Nominees Australia Limited	89,088,695	7.63
3	HSBC Custody Nominees (Australia) Limited	43,329,005	3.71
4	National Nominees Limited	26,108,677	2.24
5	Citicorp Nominees Pty Limited	22,061,946	1.89
6	ANZ Nominees Limited <Cash Income A/C>	20,771,368	1.78
7	Citicorp Nominees Pty Limited <CFSIL CFS WS Small Comp A/C>	4,714,341	0.40
8	Emichrome Pty Ltd	4,450,240	0.38
9	Mr Peter Johnston	3,129,000	0.27
10	Nefco Nominees Pty Ltd	2,998,333	0.26
11	Neweconomy Com Au Nominees Pty Limited <900 Account>	2,713,621	0.23
12	Fodiro Pty Ltd <Gary Kam Family A/C>	1,728,668	0.15
13	Queensland Investment Corporation C/- National Nominees Limited	1,698,074	0.15
14	Communications Power Inc (Aust) Pty Ltd	1,666,668	0.14
15	Berta Bart & Frederik Bart & Philip Bart	1,647,818	0.14
16	Bramor Superannuation Pty Ltd <Bramor Super Fund A/C>	1,550,000	0.13
17	Mr Stephen Segal & Mrs Carol Segal <Hospital Computers S/F A/C>	1,521,000	0.13
18	Rewlin Pty Ltd <Rewlin Super Fund A/C>	1,500,000	0.13
19	Argo Investments Limited	1,400,000	0.12
20	BNP Paribas <BNP Cooper Neff A/C>	1,325,008	0.11
Total		1,058,232,222	90.62

GLOSSARY OF TERMS

A\$
is Australian currency / Australian dollars.

Australian Accounting Standards
are standards, ranked internationally, for conducting accounting operations within the private, public and not-for-profit sectors.

cash costs
are direct production costs, such as for mining, milling, smelting, refining, maintenance, marketing, freight and selling.

commissioning
is bringing plant or equipment into operation at a rate approximating its design capacity.

Corporations Act
is the Corporations Act 2001 (Cth).

cost of sales
includes all cash and non-cash production costs, any selling, marketing and administration costs and takes into account any stock movements and royalties.

cutoff grade
is the lowest grade of mineralised material considered economic to process. It is used in the calculation of the quantity of ore present in a given deposit.

disabling injury
is an injury that results in the injured person being disabled so that they are unable to return to their ordinary occupation the following day.

environmental non-compliance incidents
are incidents or circumstances that breach statutory environmental obligations established through legislation, regulation or a site operating licence.

fitness for work
relates to a person's capacity to work safely and free of impairment due to stress, fatigue and the effects of drugs and/or alcohol.

franking credits
apply for shareholders who receive franked dividends from a company, entitling them to a tax offset for the tax paid by that company on its income. The tax offset is referred to as a 'franking credit'.

fully-allocated cost
includes all mining and processing costs, cash costs, plus any amortisation, depreciation, royalty and administration costs less intermediate and co-product revenue. This figure is used by independent agencies to assess the real cost of mine production, and is broadly similar to the cost of sales figure used.

Global Reporting Initiative
is an initiative to develop, promote and disseminate an internationally accepted framework for voluntary reporting of the economic, environmental, and social performance of an organisation.

grade
is the proportion of metal or mineral present in ore, or any other host material, expressed in this document as per cent, grams per tonne or ounces per tonne.

greenhouse gas emissions
are emissions of carbon dioxide and other gases, such as methane, that cause the 'greenhouse effect'.

head grade
is the average grade of ore delivered to the mill.

HPAL
is high pressure acid leaching.

Indicated Mineral Resource
is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence, as more particularly described in the JORC Code.

Inferred Mineral Resource
is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a low level of confidence, as more particularly described in the JORC Code.

Joint Venture
Murrin Murrin Joint Venture (Minara 60%).

JORC Code
is the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004).

leach circuits
are part of the process where nickel and cobalt metals are extracted into solution from ore by reaction with chemicals such as sulphuric acid. The solution is then separated from the solids for metal recovery.

London Metal Exchange, or the LME
is a major 'spot' market for selling metals outside long-term contracts. As such, it provides useful benchmark or reference prices.

lost-time injury
is an injury that results in the injured person being absent from work, as a direct result of the severity and nature of the injury, for one full shift or longer.

Measured Mineral Resource
is that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence, as more particularly described in the JORC Code.

Mineral Resource
is a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction, as more particularly described in the JORC Code.

mineralisation
is a concentration of valuable solid minerals.

minerals
are any inorganic, naturally-occurring element or compound. All metals and most chemicals are derived from products extracted by the resources industry.

MMJV
Murrin Murrin Joint Venture (Minara 60%)

nickel metal
is the near-pure metal produced at Murrin Murrin.

ore
is mineralisation from which a metal(s) or mineral(s) can be economically extracted.

Ore Reserve
is the economically mineable part of a Measured and/or Indicated Mineral Resource, as more particularly described in the JORC Code.

Probable Ore Reserves
is the economically mineable part of an Indicated and in some cases a Measured Mineral Resource, as more particularly described in the JORC Code.

Proved Ore Reserves
is the economically mineable part of a Measured Mineral Resource, as more particularly described in the JORC Code.

risk management
is any process that identifies, assesses and addresses risk.

royalties
are payable to the State Government upon the extraction and recovery of metals from the mining leases.

stakeholders
are people or organisations who have a general, financial or business interest in an enterprise.

sulphide
is a naturally-occurring compound of metal and sulphur.

sustainability
relates to business operations and development that meet the needs of the present without compromising the ability of future generations to meet their needs.

tailings
are the wastes which are rejected from a concentrating process after the recoverable valuable minerals have been extracted.

US\$
is United States currency / United States dollars.

CORPORATE DIRECTORY

Directors

Peter Coates

Chairman, Non-Executive Director

Peter Johnston

Managing Director & Chief Executive Officer

John Morrison

Non-Executive Director

Ivan Glasenberg

Non-Executive Director

Willy Strothotte

Non-Executive Director

Malcolm Macpherson

Non-Executive Director

Marc Ocskay

Alternate Non-Executive Director for Willy Strothotte

Company Secretary

Cynthia Sargent

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Further information

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This report is also available in electronic form at www.minara.com.au

Feedback

To provide feedback on this report, please email info@minara.com.au or write to the Company Secretary, Minara Resources Limited, PO Box Z5523, St George's Terrace, PERTH WA 6831.

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2008 ANNUAL REPORT

